CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Overview

OF THE CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM AND RELATED ISSUES

January 1, 2011

CALSTRS

HOW WILL YOU SPEND YOUR FUTURE?

OVERVIEW

Of The California State Teachers' Retirement System And Related Issues
As of January 1, 2011

FOREWORD

The California State Teachers' Retirement System was created in 1913 to provide retirement benefits to California's public school educators.

This publication provides an overview of the retirement system, including a summary of benefits currently provided to members, a history of the system, an explanation of system financing, a glossary of terms commonly used in the retirement system, and a summary of system statistics.

It is a source of information for questions that the reader may have from time to time regarding CalSTRS and retirement systems in general. However, in the event that there is a conflict between the law and the information in this publication, the law prevails.

Questions regarding this publication can be directed to Legislative Affairs at (916) 414-1994.

CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

Table of Contents

Plan Description and Financing

Defined Benefit Program

Service Retirement

Normal Retirement Eligibility Requirement

Age 60 with five years of service credited under the Defined Benefit (DB) Program, which can include service from teaching in an out-of-state or foreign public school.

Benefit Formula

Two percent of final compensation for each year of credited service at age 60, increasing to 2.4 percent at age 63. For members with 30 or more years of credited service, a career factor of up to an additional 0.2 percent of final compensation per year of credited service is added to the age factor. The maximum benefit is 2.4 percent of final compensation.

A longevity bonus is added to the monthly member only retirement benefit of members who accrued at least 30 years of service credit by December 31, 2010; however, the member was not required to retire by that date. The amount of the bonus depends on the years of service credit at retirement. With 30 years of service credit, the member receives a monthly increase of $200; with 31 years, an increase of $300; with 32 or more years, an increase of $400.

Final Compensation

For members retiring with 25 years or more of credited service, final compensation is the highest average annual compensation earnable for any 12 consecutive months of credited California service. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years or 36 consecutive months of credited California service.

For certain classroom teachers, final compensation may be the highest average annual compensation earnable during any period of 12 consecutive months while a member of the DB Program, if it is part of a written collective bargaining agreement and associated costs are paid to CalSTRS. This provision only applies to a qualified classroom teacher, as defined, who is employed by an employer who has entered into a written agreement with an exclusive representative to make this provision applicable.

If the member's salary has been reduced because of a reduction in school funds, then final compensation may be the highest average annual compensation earnable during ANY three "non-consecutive" years of membership in the program; one year is a period of 12 consecutive months.

Minimum Guarantee

Specified members retired under the DB Program, their option beneficiaries, and surviving spouses receiving a benefit as of January 1, 2000, are guaranteed a minimum benefit based on the member's years of credited service. The total annual amount payable to the member with 20 years of credited service generally will not be less than $15,000, increasing incrementally to $20,000 with 30 or more years of credited service.

Internal Revenue Code Section 415

Benefits paid under the DB Program are subject to limits imposed under Internal Revenue Code section 415. For 2009 and 2010, the limit is $195,000 for members who retire between ages 62 and 65. Benefits in excess of the limit are payable from the Replacement Benefits Program.

Early Retirement

Age 55 with Five Years Credited California Service

At age 55, the age factor is 1.4 percent. For each full or partial month after age 55, a 0.01 (one one-hundredth) of a percent increase is applied to the age factor, until the 2.0 percent age factor is reached at age 60.

Age 50 with 30 Years Credited California Service ("30 and Out")

At age 50, the age factor is 1.1 percent. For each full or partial month after age 50, a 0.005 (five one-thousandth) of a percent increase is applied to the age factor, until the member reaches age 55. From age 55 to age 60, a 0.01 (one one-hundredth) of a percent increase is applied to the age factor for each full or partial month.

Between Ages 55 and 60 with Five Years Credited California Service ("Limited Term Reduction")

A reduced monthly benefit equal to one-half the normal retirement benefit for age 60, based on final compensation and service credit at the age of retirement. The reduced benefit continues for the same duration of time after age 60 that the member received benefits prior to age 60. Thereafter, the age 60 normal retirement benefit is paid.

Deferred Retirement

Any time after satisfying the minimum service requirement, a member may cease active service, leave the accumulated retirement contributions on deposit, and later retire upon attaining the minimum age requirement and filing an application to retire. No formal election is required to defer retirement; however, a written application must be made to CalSTRS in order to retire.

Mandatory Retirement

There is no mandatory retirement age. However, federal law requires a minimum distribution of retirement benefits begin no later than April 1 of the calendar year following the year in which a member reaches age 70½, if the member has not retired and is no longer performing creditable service subject to coverage by the State Teachers' Retirement Plan or is no longer employed in a position requiring or permitting membership in another California public retirement system. The Internal Revenue Service may impose an excise tax equal to 50 percent of the minimum required distribution if you receive less than the minimum-required distribution for the taxable year.

Retirement Incentive Programs

A school employer including a charter school may provide, at the employer's cost, an additional two years of service credit to increase the amount of the member's monthly retirement benefit. Eligible DB Program members may receive two additional years of service credit to be used in their benefit calculation.

The additional two years of service credit granted under the above retirement incentive program does not count toward qualifying for a retirement benefit or toward eligibility for benefit enhancements.

All members of the DB Program who are eligible to retire may receive a retirement incentive if their current employer agrees to offer the incentive.

Postretirement Employment Restrictions

A member who retires with a CalSTRS retirement incentive will lose the ongoing increase in the benefit provided by the incentive if the member:

- Becomes an active member again by returning to CalSTRS-covered employment (reinstatement);
- Receives unemployment insurance benefits from the employer that granted the retirement incentive at any time during the year after receiving the retirement incentive; or
- Returns to CalSTRS-covered employment with the employer that granted the retirement incentive within five years of retirement.

Unused Sick Leave Service Credit

Service credit is granted for unused sick leave at the time of retirement based on certification from the member's last employer. Up to two-tenths (0.2) of one year of service credit for unused sick leave may be used to qualify for one-year final compensation, an increased longevity bonus, and the career factor if the addition of those two-tenths of a year would qualify the member for the enhancements. However, sick leave service credit cannot be used to meet eligibility requirements for service retirement.

Member-Only Benefit

The Member-Only Benefit is a monthly retirement benefit paid to the member for the member's lifetime; it does not provide for a monthly benefit to the member's survivor or survivors. Any contributions and interest credited to the member's account at the time of death, minus the total amount already paid to the member, will be returned to the member's death benefit recipient or recipients. To provide a monthly benefit to a beneficiary or beneficiaries after the member's death, the member must elect an option.

Option Election

When a member becomes eligible for retirement, the member may make a pre-retirement election prior to the effective date of retirement to receive a modified joint and survivor benefit payable at retirement in place of the Member-Only Benefit. When an option is elected, the member's monthly benefit will be reduced from the Member-Only

Benefit. The percentage of the reduction is based on the option selected, the member's age and the ages of the beneficiaries when the option is elected. An option election can be changed only under specific circumstances.

If the member dies prior to retirement, the option beneficiary will receive a lifetime benefit based on the option selected. This election is available for those members who are eligible for retirement and do not yet wish to retire, but want to ensure a monthly lifetime income to a beneficiary in the event death occurs prior to retirement. The pre-retirement election makes the member's beneficiaries ineligible for a family or survivor benefit unless the member cancels the option election prior to his or her death. If the member's option beneficiary predeceases the member, the member's benefit reverts to the Member-Only Benefit. The member may name a new option beneficiary, which results in a reduction in the member's monthly benefit.

Members who elect an option have four options from which to choose:

100% Beneficiary Option

Provides a monthly benefit for the member's lifetime and then for the lifetime of the member's option beneficiary. Upon the member's death, the member's option beneficiary continues to receive 100 percent of the amount of the benefit the member received. If the option beneficiary predeceases the member, the member's monthly benefit rises to the Member-Only Benefit.

75% Beneficiary Option

Provides a monthly benefit for the member's lifetime and then for the lifetime of the member's option beneficiary. Upon the member's death, the member's option beneficiary receives 75 percent of the amount of the benefit the member received. If the option beneficiary predeceases the member, the member's monthly benefit rises to the Member-Only Benefit.

50% Beneficiary Option

Provides a monthly benefit for the member's lifetime and then for the lifetime of the member's option beneficiary. Upon the member's death, the member's option beneficiary receives 50 percent of the amount of the benefit the member received. If the option beneficiary predeceases the member, the member's monthly benefit rises to the Member-Only Benefit.

Compound Option

This option allows the member to select multiple option beneficiaries or just one option beneficiary as long as the member designates a percentage to remain as the Member-Only Benefit. This option modifies the member's monthly benefit depending on the options, the number of beneficiaries involved and their ages. If the member has a court-ordered community property award to a former spouse or former registered domestic partner, the member must name that person as a beneficiary but may retain a portion of the benefit as the Member-Only Benefit and is not required to name a second option beneficiary.

Option Simplification Initiative

Retired members with an option had from January 1, 2007, through June 30, 2007, to change their existing option to one of the new options. Members with a pre-retirement option election also had from January 1, 2007, through June 30, 2007, to change their existing option to one of the new options without incurring a cancellation fee. Members were not required to change their option.

Prior to January 1, 2007, the following options were available for selection. Options 2, 3, 4, and 5 under the DB Program are no longer available for new election, unless they are part of a segregation of community property ordered by the court prior to January 1, 2007.

Option 2

Joint and 100 percent to beneficiary. Upon the retired member's death, the modified benefit continues to be paid to the option beneficiary. If the option beneficiary predeceases the member, the member's monthly benefit remains unchanged.

Option 3

Joint and 50 percent to beneficiary. Upon the retired member's death, one-half of the modified benefit continues to be paid to the option beneficiary. If the option beneficiary predeceases the member, the member's monthly benefit remains unchanged.

Option 4

Joint and 66⅔ percent to beneficiary. Upon the member's death or the option beneficiary's death, two-thirds of the modified benefit continues to be paid to the survivor.

Option 5

Joint and 50 percent to beneficiary. Upon the member's death or the option beneficiary's death, one-half of the modified benefit continues to be paid to the survivor.

Option 6

Joint and survivor benefit with 100 percent to option beneficiary with "Pop Up." Upon the retired member's death, the modified benefit will continue to be paid to the option beneficiary for life. If the option beneficiary predeceases the retired member, the retired member's benefit will "pop up" to the Member-Only Benefit level.

Option 7

Joint and survivor benefit with 50 percent to option beneficiary with "Pop Up." Upon the retired member's death, one-half of the modified benefit will continue to be paid to the option beneficiary for life. If the option beneficiary predeceases the retired member, the retired member's benefit will "pop up" to the Member-Only Benefit level.

Option 8

Provides joint and survivor benefits to two or more option beneficiaries or, for members involved in a legal separation or dissolution of marriage provides benefits for former spouses, while keeping an unmodified benefit for the member. A member may elect the same or a different option for each option beneficiary and may also reserve a portion of the benefit as unmodified. Upon the death of the member, the option beneficiaries receive a benefit as stated under the designated options. If any of the option beneficiaries predecease the member, the benefit will change as stated under those designated options.

Spouse and Registered Domestic Partner

The DB Program provides equal coverage for a member's spouse or registered domestic partner. Except where prohibited by federal law, all provisions of the DB Program that apply to a married member's spouse also apply to a member's registered domestic partner. To be eligible, a member must register his or her domestic partnership with the California Secretary of State.

Postretirement Adjustments

Benefit Improvement Factor

There is a 2 percent simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2 percent increase is applied to all continuing benefits, unless the member retired under the Limited Term Reduction Program, in which case the increase does not begin to accrue until the member reaches age 60. This increase is also known as a cost-of-living adjustment or COLA.

Supplemental Increase

Resources from the Supplemental Benefit Maintenance Account (SBMA) and revenue from the State School Lands Bank Fund restore purchasing power up to 85 percent of a benefit recipient's initial benefit. The Board has the authority to promulgate regulations to enable the Board to adjust the supplemental benefit within a range of 80 to 85 percent, to maintain the ability to make the payments. In February 2009, the Board adopted regulations to maintain the supplemental benefit for approximately 150 years at a purchasing power level that is currently at 85 percent. These supplemental payments are vested to the extent funds are available from the SBMA, with the General Fund providing an annual transfer equal to 2.5 percent of total creditable compensation from the fiscal year ending in the prior calendar year.

Periods of low inflation can also occur and lower the quarterly supplemental payment amount. For example, prices generally declined during the 2008–09 fiscal year, and together with the 2 percent annual benefit adjustment, more retirement benefits were kept at or above 85 percent of their initial value. As a result quarterly supplemental payments for the 2009–10 fiscal year were reduced or eliminated. Future increases in inflation could increase quarterly supplemental payments, and future decreases in inflation could decrease or eliminate quarterly supplemental payments.

Working After Retirement

CalSTRS has no limitation on earnings outside the California public school system while retired for service. Within the California public school system, with a few exceptions, members are prohibited from employment in a classified position while retired for service. If a retired member returns to work in a CalSTRS-covered position, there are limits to the amount that can be earned without affecting the member's benefit.

Separation from Service Requirement

Federal law prohibits pension plans from distributing benefits before the normal retirement age or a separation from service. In order to ensure that separation from service has occurred, retired members who are under the normal retirement age of 60 will have their CalSTRS retirement benefit reduced by the amount earned in CalSTRS-covered employment for six calendar months immediately following their retirement effective date or until their 60th birthday, whichever is sooner. The requirement for this deduction began July 1, 2010, regardless of retirement effective date. There are no exemptions from this requirement.

Postretirement Earnings Limit

There is a fiscal year limitation on earnings from creditable service within the California public school system for members who retired for service and did not have a break in covered service of 12 consecutive months after the most recent retirement. The benefit of a member retired for service will be reduced by the amount of any earnings in excess of the limitation, up to a member's annual benefit amount. The 2010–11 earning limitation is $31,020, and the 2011–12 earnings limitation is also $31,020. This figure is adjusted each July 1 based on the percentage change in the average compensation earnable of active DB Program members. (This differs from earnings limitations imposed on members who receive disability allowances and disability retirement benefits. See applicable sections for a summary of those limitations.)

Exemptions to the Earnings Limit

Subject to CalSTRS approval, postretirement earnings may be exempt from the limitation under specific circumstances, provided the employer submits documentation for the exemption on or before June 30 of the relevant year and, if the member is under age 60, six calendar months have passed since the member's retirement date.

Exemptions may be granted for members who:

- Retire and resume covered employment after a break in service for 12 consecutive months (this exemption does not require employer documentation);
- Retired on or before January 1, 2009, and return to a K–12 classroom to provide direct classroom instruction; support or assess new teachers in the Beginning Teacher Support and Assessment Program; provide instruction in an English language learner program; provide instruction and pupil services in special education programs; provide support to individuals completing student teaching assignments; or provide support to individuals participating in alternative certification programs or in the School Paraprofessional Teacher Training Program;
- Retire and return to an administrative position requiring highly specialized skills left vacant due to an emergency as long as the vacancy occurred due to circumstances beyond the control of the employer and was not created by the member's termination of employment.
- Retire and return as a trustee or administrator appointed by a superintendent of public instruction or by a county superintendent of schools; return as a trustee pursuant to the Immediate Intervention/Underperforming Schools Program; or as a trustee pursuant to the High Priority Schools Grant Program; or
- Retired on or before January 1, 2009, and return to a grade 2–12 classroom to provide direct remedial education.

These exemptions are available through June 30, 2012, unless extended by law.

Reinstatement

Members who retire for service, return to CalSTRS-covered employment, perform creditable service for the equivalent of two full years, and then re-retire receive the sum of both:

- An amount based on service credit earned prior to the last retirement, the member's age at the subsequent retirement minus the number of years the member was retired, and final compensation,

Plus

- An amount based on service credit earned since the last reinstatement, the member's age at the subsequent retirement, and final compensation.

If a member reinstates and performs creditable service for less than two years, then he or she receives the following service retirement benefit:

- An amount equal to the monthly benefit the member received immediately before reinstatement, increased by the 2 percent cost-of-living adjustment that would have been applied to the benefit if the member had not reinstated,

Plus

- An amount based on service credit earned since the last reinstatement, the member's age at the subsequent retirement, and final compensation.

Death Payment for Survivors of Retired Members

Designated recipients of CalSTRS retired members receive a $6,163 lump-sum death payment. The amount of the death payment may be adjusted by the Teachers' Retirement Board following each actuarial valuation based on changes to the All Urban California Consumer Price Index (CCPI).

Social Security

The CalSTRS DB Program is not integrated with, coordinated with, or supplemented by the federal Social Security Program. (Please see the section titled "Social Security and CalSTRS Members" for more information.)

Termination of Membership

After termination of employment, a member may request a refund of the contributions and interest credited to the member's account. A refund terminates membership in, and all rights to future benefits from, the DB Program.

Re-Entry into Program after Refund

Individuals who have received a refund and who subsequently become members of the DB Program, or of other California public retirement systems, may redeposit all or a portion of the contributions and interest previously refunded. In addition, regular interest from the date of the refund through the final date of payment must be paid so that the member can be credited with the related service. However, the member must earn at least one year of credited service after re-entry before becoming eligible for any benefits from the DB Program.

Funding

Member Contributions

Members contribute a total of 8 percent of creditable compensation to the Defined Benefit Program. From January 1, 2001, through December 31, 2010, 25 percent of the member's monthly 8 percent contribution was credited to the member's Defined Benefit Supplement Program account. Beginning January 1, 2011, a total of 8 percent of creditable compensation will be credited to the DB Program. (Please see the section titled, "Defined Benefit Supplement Program," for more information.)

Employer Contributions

Employers contribute 8.25 percent of the total creditable compensation on which member contributions are based.

State Contributions

The normal State contribution to the DB Program in 2010–11 is 2.017 percent of creditable compensation earned for 2008–09, paid in four quarterly payments. There is, however, an additional contribution required under current law if certain criteria in the funding of the DB Program are met; specifically, if there is an unfunded liability or a normal cost deficit associated with the benefits provided in the DB Program as of July 1, 1990. The increased contribution rate would initially be equal to 0.524 percent of the two year old compensation, an annualized increase of about $150 million, and would increase by up to 0.25 percent annually, up to a total increased contribution rate of 1.505 percent.

Service Retirement During Evaluation of Disability Application

If a member is eligible to retire for service and is applying for disability benefits, he or she may receive retirement benefits while waiting for a decision on the disability benefits application. The member will not be eligible, however, to participate in the Early Retirement Limited Term Reduction Program. In addition, the retirement benefit will not include service credit for unused sick leave while the application for disability benefits is being evaluated. If the disability application is not approved, the member will remain in service retirement status. Any service credit for unused sick leave will be added to the member's account, and the retirement benefit will be recalculated based on the additional service credit.

Disability Allowance – Coverage A

Effective Date

Applicable only to members who became a member before October 16, 1992, who did not elect Coverage B, and who otherwise meet the conditions for application.

Eligibility Age Limit

Under age 60.

Service Credit

Minimum of five years, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year.

Employment Status

May apply for disability allowance while still performing creditable service.

Benefit Formula

Allowance

Fifty percent of final compensation.

Or

If the member is over age 45 with less than 10 years of service credit, 5 percent of final compensation for each year of service credit.

Eligible Dependent Children's Benefits

Ten percent of final compensation for each eligible dependent child, up to a maximum of 40 percent of final compensation. Eligibility for a dependent child ends the day before the dependent's 22nd birth date or the day before their date of marriage (or registered domestic partnership), whichever occurs first.

Benefit Reductions

Allowance, including children's portions, will be reduced by an amount equal to any benefits paid or payable under workers' compensation, Social Security, federal military disability and income protection plans, or any other public system for the same impairment or impairments.

Employment

A member may be employed in a position to perform creditable service subject to coverage under the DB Program or any other employment that is subject to earnings limitations.

Earnings Limits

- In a single month, the disability allowance (less amounts payable for children) plus earnings from any employment may not exceed 100 percent of indexed final compensation. In this event, 100 percent of the excess amount is deducted from the member's allowance.
- For a six-month period, average monthly earnings may not exceed 66⅔ percent of indexed final compensation. In this event, the member is presumed capable of performing gainful employment and no longer disabled, and the disability allowance is terminated.

Transition to Service Retirement

A disability allowance is payable for the duration of the disability or until age 60. At age 60, the disability allowance terminates, and the member may apply for service retirement. At that time, the member's retirement benefit is based on projected final compensation and projected service to age 60; however, the service retirement benefit may not exceed the terminated disability allowance. A disability allowance may continue beyond age 60 if there are eligible children and the member remains disabled.

Death Payment

A $6,163 lump-sum death payment is payable to the designated recipient upon the death of the disabled member. The amount of the death payment may be adjusted by the Board following each actuarial valuation based on changes to the CCPI,

Plus

If the member has not elected a pre-retirement option, a family allowance is payable to the surviving spouse or registered domestic partner who has children eligible for a children's benefit, Or

If there are no eligible dependent children, the spouse or registered domestic partner may elect to take a lump-sum refund of the contributions and interest remaining in the member's account or receive an allowance equal to one-half of the amount of the benefit the member would have received, had the member retired at age 60. This benefit is calculated using the member's projected final compensation and projected service credit to age 60 beginning either on the member's 60th birthday, or immediately with a reduction based on the member's and spouse's or registered domestic partner's age at the time the benefit begins.

Disability Retirement – Coverage B

Eligibility

Applicable to members who became members on or after October 16, 1992, to certain other members who elected Coverage B and who otherwise meet the conditions for application.

Age Limit

None.

Service Credit

Minimum of five years, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year.

Employment Status

May apply for disability retirement while still performing creditable service.

Benefit Formula

Allowance

Fifty percent of final compensation regardless of age and service credit.

Eligible Dependent Children's Benefits

Ten percent of final compensation for each eligible dependent child, up to a maximum of 40 percent of final compensation for four or more children. Eligibility for a dependent child ends the day before the dependent's 21st birth date.

Option Election

A member may elect a joint and survivor option upon application for disability retirement. If a member has a pre-retirement option on file with CalSTRS and files for disability under Coverage B, then that pre-retirement option is cancelled, and the member must file a new option election.

Benefit Reduction

The disability retirement benefit, not including amounts payable for children, will be reduced by an amount equal to any benefit payable for the same impairment or impairments under a workers' compensation program.

Employment

A member may be employed to perform creditable service, or any other employment, but cannot make contributions to the Teachers' Retirement Fund or accrue service credit based on earnings from any employment.

Earnings Limit

There is a calendar year limitation on earnings from all employment. The member's disability retirement benefit will be reduced by the amount of any earnings in excess of the limitation. The limit for the 2011 calendar year is $26,250 and is adjusted each January 1 by the annual increase in the CCPI, using December 1989 as the base.

Transition to Service Retirement

Under Coverage B, there is no transition to service retirement; the disability retirement is payable for the duration of the disability.

Death Payment

A $6,163 lump-sum death payment is payable to the designated beneficiary upon the death of the disabled member. The amount of the death payment may be adjusted by the Board following each actuarial valuation based on changes to the CCPI,

Plus

If an option was selected at the time of Disability Retirement, a lifetime benefit is payable to the option beneficiary upon the member's death,

Or

If no option was selected, a lump-sum refund of the remaining contributions and interest in the member's account is payable to the designated beneficiary.

Family Allowance – Coverage A

Eligibility

Benefits are payable to survivors of a person who became a member before October 16, 1992, if the member was actively employed at the time of death, did not elect Coverage B, had not made a pre-retirement election of an option, and had a minimum of one (1.000) year service credit.

Lump-Sum Death Payment

A $6,163 lump-sum death payment is payable to the designated recipient upon the death of the member, if the member had at least one year of CalSTRS credited service and other eligibility requirements are met. The amount of the death payment may be adjusted by the Board following each actuarial valuation based on changes to the CCPI.

Basic Benefit

When there are eligible children, a family allowance will be paid. If there are no eligible children, the spouse or registered domestic partner may elect to receive a former Option 3 family allowance at age 60, or immediately with a reduction based on the member's and spouse's or registered domestic partner's ages at the time the benefit begins, or take a lump-sum refund of the remaining contributions and interest in the member's account.

Surviving Spouse or Registered Domestic Partner Eligibility

The surviving spouse or registered domestic partner must be married or registered to the member for at least one year prior to the date of death, unless the member's death was the result of an accident that occurred or an illness that was diagnosed after the date of the marriage or domestic partnership.

Dependent Child Eligibility

Each natural or adopted child or stepchild of the member, born no later than 10 months after the date of the member's death, who is under 22 years of age, unmarried or not registered as a domestic partner, and who is financially dependent upon the member as of the date of the member's death.

On-Going Monthly Allowance

The surviving spouse or registered domestic partner with eligible children receives a monthly amount after the death of the member. The maximum family allowance is 90 percent of the member's final compensation: 40 percent to the spouse or partner, and 10 percent for each eligible dependent child, up to five children.

When there are no eligible children, the surviving spouse or registered domestic partner may take a lump-sum refund of the remaining contributions and interest in the member's account or may elect to receive an allowance equal to one-half of the amount of the benefit the member would have received, had the member elected a former Option 3 and retired at age 60. This benefit is calculated using the member's projected final compensation and projected service credit to age 60 beginning either on the spouse's 60th birthday, or immediately with a reduction based on the member's and spouse's or registered domestic partner's ages at the time the benefit begins.

If there are dependent children with no surviving spouse or registered domestic partner, an allowance of 10 percent of the member's final compensation is payable for each eligible child up to a maximum of 50 percent of final compensation.

If there is neither a surviving spouse or registered domestic partner nor a dependent child, the member's dependent parents may elect to receive an allowance equal to one-half of the amount of the benefit the member would have received, had the member elected a former Option 3 and retired at age 60. This benefit is calculated using the member's projected final compensation and projected service credit to age 60 beginning either on the member's 60th birthday, or immediately with a reduction based on the member's age at the time the benefit begins.

Contributions and Interest

If there is no surviving spouse or registered domestic partner, eligible children, or dependent parent, the contributions and interest are paid to the member's designated beneficiary.

Benefit Reductions

The Family Allowance will be reduced by an amount equal to any benefit payable by another public system for the member's death. Other public systems include Social Security, federal civil service retirement, and any other public retirement system, including disability programs financed from public funds.

Survivor Benefits — Coverage B

Eligibility

Benefits are payable to survivors of a person who either became a member on or after October 16, 1992, or elected Coverage B, if the member was actively employed at the time of death, had not made a pre-retirement election of an option, and had a minimum of one (1.000) year service credit.

Lump-Sum Death Payment

A $24,652 lump-sum death payment is payable to the designated recipient if the member had one or more years of credited service and other eligibility requirements are met. The amount of the death payment may be adjusted by the Board following each actuarial valuation based on changes to the CCPI.

Basic Benefit

The surviving spouse or registered domestic partner may elect to receive a monthly benefit or take a lump-sum refund of the contributions and interest in the member's account.

Surviving Spouse or Registered Domestic Partner Eligibility

The surviving spouse or registered domestic partner must be married to the member or registered as a domestic partner with the member for at least one year prior to the date of death, unless the member's death was the result of an accident that occurred or an illness that was diagnosed after the date of the marriage or domestic partnership.

Spousal Allowance

If the surviving spouse or registered domestic partner elects not to take a lump-sum refund of the contributions and interest in the member's account, the surviving spouse or registered domestic partner receives an allowance equal to one-half of the amount of the benefit the member would have received, had the member elected a former Option 3 and retired at age 60. This benefit is calculated using the member's projected final compensation and projected service credit to age 60 beginning either on the member's 60th birthday, or immediately with a reduction based on the member's and spouse's or registered domestic partner's ages at the time the benefit begins. The spousal allowance is payable whether or not there is a dependent child.

Children's Allowance

If the surviving spouse or registered domestic partner elects not to take a lump-sum refund of the contributions and interest in the member's account, an additional allowance is payable for each eligible dependent child equal to 10 percent of the member's final compensation, with a maximum benefit of 50 percent for five or more children.

If there are dependent children with no surviving spouse or registered domestic partner, an allowance of 10 percent of the member's final compensation is payable for each eligible child up to a maximum of 50 percent of final compensation. Benefits will end on the day before the children reach age 21 or die, whichever occurs first.

To be eligible, the member's natural or adopted children or stepchildren must be born no later than ten months after the date of the member's death, be under age 21, and have been financially dependent on the member at the time of death, regardless of student, marital, or employment status.

Contributions and Interest

If there is no surviving spouse, registered domestic partner, or eligible dependent children, the contributions and interest in the member's account are paid to the member's designated beneficiary.

Defined Benefit Supplement Program

Program Description

The Defined Benefit Supplement (DBS) Program is a means for CalSTRS to increase, or "supplement," the amount payable at retirement to members of the Defined Benefit Program.

Eligibility Requirements

All members of the DB Program who make contributions to CalSTRS on creditable compensation earned on and after January 1, 2001, have an account under the DBS Program and are eligible to receive a DBS benefit based on the amount of funds contributed to the DBS account. Membership in the DBS Program is not optional.

Contributions

Between January 1, 2001, and December 31, 2010, members of the DB program had a portion of their 8 percent employee contributions allocated to a DBS Program account established for each member. Twenty-five percent of the member's contribution (a total of 2 percent of creditable compensation) was credited to the member's DBS account, and the remaining 75 percent of the contribution was credited to the DB Program. As of January 1, 2011, 100 percent of the member's contribution is credited to the DB Program.

In addition, contributions from special limited-term payments, retirement incentives, compensation intended to enhance a member's benefits, and compensation for creditable service in excess of one year are credited to the member's DBS account. These contributions are credited to the DBS account each July 1, although limited-term enhancements are credited when reported. These additional provisions will not cease at the end of 2010.

Program Investments

Contributions to the DBS Program are invested by CalSTRS in the same manner as other contributions received by CalSTRS, excluding private equity and real estate.

Guaranteed Interest Rate

Funds in a member's DBS account earn interest at a guaranteed minimum rate that is set each year by the Teachers' Retirement Board. The interest rate is based on 30-year U.S. Treasury notes for the period from March to February immediately prior to the plan year. The rate in 2010–11 is 4.50 percent.

Voluntary Contributions to the DBS Program

Members may not make additional voluntary contributions to the DBS Program.

Gain and Loss Reserve

Funds accumulate in a Gain and Loss Reserve to credit interest to members' accounts during years when the rate of return on investments is less than the guaranteed interest rate. Annual additions to the Reserve are determined by the Board on earnings in excess of those needed to credit the guaranteed interest rate and pay administrative costs. The Reserve is also used to ensure adequate funds are available in the Annuitant Reserve, which is established to make monthly annuity payments.

Additional Earnings Credit

After the end of the plan year, when the total investment earnings for the immediately preceding plan year are known, the Board may declare an additional earnings credit. Under Board policy, an additional earnings credit could be declared if the funded ratio of the DBS Program is greater than 100 percent by an amount equal to twice the minimum interest rate for the year after the valuation. For example, the minimum interest rate of the DBS Program in the 2009–10 fiscal year was 4.25 percent, based on the June 30, 2009, valuation. The funded ratio necessary to declare an additional earnings credit was 108.5 percent (100 percent plus twice the 4.25 percent minimum interest rate). Any additional earnings credit is applied to the balance of each member's account as of the last day of the plan year; however, the date upon which the additional earnings credit is applied to members' accounts is specified by the Board. The Board adopted an additional earnings credit of 2.49 percent for the 2005–06 plan year and an additional earnings credit of 4.41 percent for the 2006–07 plan year.

Additional Annuity Credit

When the Board declares an additional earnings credit, it may also declare an additional annuity credit for members and beneficiaries who are receiving an annuity as of the date specified by the Board. The additional annuity credit is based on the balance of credits transferred from the member's DBS account to the Annuitant Reserve and is paid in a lump sum. The Board adopted an additional annuity credit for the DBS Program of 2.49 percent for the 2005–06 plan year and an additional annuity credit of 4.41 percent for the 2006–07 plan year.

Retirement Eligibility

To retire, a member must terminate all creditable service under the Plan and retire for service under the DB Program. Distribution of a retirement benefit must begin by April 1 of the year after the member reaches age 70½, unless the member continues to perform creditable service.

Early Withdrawals

Both federal and California state tax codes include tax penalties for certain early withdrawals. Ten-percent federal and 2.5-percent state tax penalties may be assessed for early withdrawals, plus the normal tax liability.

Rollover

Members are not permitted to transfer funds from eligible retirement plans into the DBS account. When a member becomes eligible for a distribution under the DBS Program, the DBS funds may be rolled over to another qualified plan, such as a 403(b) or 457 plan, or a traditional or Roth IRA, under applicable federal and state laws and regulations.

Reemployment after Retirement

If a member reinstates from service retirement after commencing a monthly annuity, the annuity will be terminated and a credit balance will be applied to the member's account. The member must reapply for a subsequent retirement.

Program Benefits

Retirement and Disability Benefits

A DBS benefit is payable when retiring under the DB Program. A member will receive a disability benefit under the DBS Program beginning on the effective date of the member's disability retirement or disability allowance benefit. The following annuities are available for a retirement or disability benefit from the DBS Program:

- A lump-sum benefit equal to the balance of the member's account.

Or

- One of the following five annuities, if the member's balance is $3,500 or more:

Member-Only Annuity

Provides a single-life annuity with a cash refund feature. Upon the retired or disabled member's death, the member's beneficiary receives a lump-sum payment of the balance in the member's DBS account. The Member-Only Annuity may not be selected by disability retirement members (Coverage B) who made a Defined Benefit Option selection when applying for disability.

100% Beneficiary Annuity

Provides a monthly annuity for the member's lifetime and then for the lifetime of the member's annuity beneficiary. Upon the member's death, the member's annuity beneficiary receives 100 percent of the amount of the annuity the member received. If the member's beneficiary predeceases the member, the Member-Only Annuity is paid to the member; the member may designate a new annuity beneficiary. Beneficiary annuities may only be selected by members who are service retiring or by disability retirement members (Coverage B) who made a Defined Benefit Option selection. The DBS annuity beneficiary will be the same as the DB Option beneficiary.

75% Beneficiary Annuity

Provides a monthly annuity for the member's lifetime and then for the lifetime of the member's annuity beneficiary. Upon the member's death, the member's annuity beneficiary receives 75 percent of the amount of the annuity the member received. If the member's beneficiary predeceases the member, the member's annuity reverts to the Member-Only Annuity;

the member may designate a new annuity beneficiary. Beneficiary annuities may only be selected by members who are service retiring or by disability retirement members (Coverage B) who made a Defined Benefit Option selection. The DBS annuity beneficiary will be the same as the DB Option beneficiary.

50% Beneficiary Annuity

Provides a monthly annuity for the member's lifetime and then for the lifetime of the member's annuity beneficiary. Upon the member's death, the member's annuity beneficiary receives 50 percent of the amount of the annuity the member received. If the member's annuity beneficiary predeceases the member, the member's annuity reverts to the Member-Only Annuity; the member may designate a new annuity beneficiary. Beneficiary annuities may only be selected by members who are service retiring or by disability retirement members (Coverage B) who made a Defined Benefit Option selection. The DBS annuity beneficiary will be the same as the DB Option beneficiary.

Period Certain Annuity

Provides an annuity paid in whole-year increments to the member over a period no less than three years and no more than ten years in length, as specified by the member. If the member's death occurs before the end of the specified period, the remaining balance of payments will be paid to the member's annuity beneficiary.

Or

- Choose a combination of a lump-sum benefit and an annuity, provided the member's balance after the lump-sum benefit is $3,500 or more.

If the member designates one or more option beneficiaries under the Compound Option, the percentage of the monthly benefit assigned to each option beneficiary also applies to the joint and survivor annuity under the DBS Program. The member must elect one joint and survivor annuity, which is applied equally for each beneficiary designated under the Compound Option. If the member elects to retain a percentage of the DB benefit as the Member-Only Benefit, then the same percentage of the member's DBS benefit remains as the Member-Only Annuity.

Disability Eligibility

A member receives a DBS Program disability benefit when he or she receives a DB Program disability benefit. A member will receive a disability benefit under the DBS Program beginning on the effective date of the member's disability retirement or disability allowance benefit.

Final Benefit

Death Prior to Retirement

The balance of the member's account is payable to the named beneficiary. If no valid beneficiary form is on file with the System, the lump-sum payment will be paid to the member's estate.

Beneficiary

A beneficiary to whom a final benefit is payable may elect to receive the benefit in the form of a Period Certain Annuity, provided the balance of the member's account is $3,500 or more.

Death of Member Receiving Annuity

Upon the death of a member, the annuity is payable in accordance with terms of the annuity option elected by the member. Depending on the annuity selected by the member, there may not be a payment to a beneficiary.

Termination Benefit

Upon termination of all creditable service subject to coverage under the Plan, for any reason other than death, disability, or retirement, a member may apply for a lump-sum termination benefit. The benefit amount is equal to the balance of the member's DBS account. A member who receives a lump-sum termination benefit and later returns to work may not redeposit this DBS benefit payment.

Waiting Period

The termination benefit is payable after six consecutive months have elapsed following the member's employment termination date. The application for a termination benefit will be canceled automatically if the member performs creditable service within six consecutive months following termination of employment.

Five-Year Rule

A member may not apply for a termination benefit if less than five years have elapsed after payment of the most recent termination benefit to the member.

Cash Balance Benefit Program

Program Description

The CalSTRS Cash Balance (CB) Benefit Program is a defined benefit plan that meets the requirements of the Internal Revenue Code. The CalSTRS CB Benefit Program is a hybrid retirement plan that has attributes of both a defined benefit and defined contribution plan, including employee and employer matching contributions and annuities. It is optional to school districts, community college districts, or county offices of education as an alternative retirement program. The CB Benefit Program is a retirement program for employees of California's public schools who are hired to perform creditable service by any of the following:

1. School district or county office of education:
   - On an hourly or daily basis; or
   - In a contract position for less than 50 percent for each full-time position.
2. Community college district:
   - On a part-time or temporary basis not subject to mandatory membership in the DB Program; or
   - For not more than 67 percent of a full-time position.
3. Governing body of a school district or community college district as a trustee.

Employer Election to Offer Program

Employers may offer the CB Benefit Program to eligible employees. Employers must elect to offer the CB Benefit Program through formal school board action, exclusively, or in addition to other alternative plans and / or Social Security.

Eligibility Requirements

When an employer first elects to offer the CB Benefit Program, persons who are employed to perform creditable service that meet participation requirements may elect to become participants on the later of either: 1) the first day on which creditable service is performed, or 2) the effective date of the employer's governing board's action to provide the CB Benefit Program.

Note: An employee who has a full-time position performing creditable service may not participate in the CB Benefit Program.

Eligible part-time employees who perform creditable service on a part-time basis for multiple employers may elect to participate in the CB Benefit Program for each employer who offers it, regardless of Defined Benefit Program membership. In addition, a person is eligible if he or she performs service as a trustee for an employer who has elected to participate in the CB Benefit Program.

Elections

A member of the DB Program who is employed to perform creditable service on an hourly, adjunct, or contract basis may elect to participate in the CB Benefit Program.

Employees have the right to elect coverage under either Social Security or an alternative plan in lieu of the CB Benefit Program if the employer's governing board's action provides for this option. An election to participate in either Social Security or an alternative plan does not prevent an employee from electing to participate in the CB Benefit Program at a later date, as long as the CB Benefit Program is provided by the employer and the employee is eligible to participate.

Discontinued Eligibility

Employees may not contribute to the CB Benefit Program and must become members of the DB Program in a specific district when their basis of employment for that employer changes to either:

- 50 percent or more for each full-time position when employed by a school district or county office of education; or
- A position subject to mandatory DB Program membership in a community college district.

Participation in the CB Benefit Program will also cease when an employee elects to become a member of the DB Program for that employer, which may occur at any time, or when the employee accepts a contract for a full-time position performing creditable service for any employer.

Social Security Participation

If the governing board of a community college employer takes action to provide Social Security coverage to part-time employees after the employee has elected participation in the CB Benefit Program, the employee may terminate CB participation and begin contributing to Social Security. However, former CB participants will not be eligible for a CB benefit until they terminate all CalSTRS creditable service.

Contributions

Each employer contributes a minimum of 4 percent of salary on behalf of each participating employee. Through the collective bargaining process, employers are permitted to negotiate different levels of employee and employer contributions, as long as the following conditions are met:

- The sum of the employee and employer contributions equal or exceed 8 percent of employee salary;
- The employee contribution rate may exceed the employer contribution rate, but in no event may the employer contribution rate be less than 4 percent;
- The employee and employer contribution rates are the same for each participant employed by the employer;
- The contribution rates as determined under the collective bargaining agreement become effective on the first day of the plan year after ratification of the agreement and remain in effect for at least one plan year;

and

- The employee and employer contribution rates must be in one-quarter increments.

Vesting

A participant has an immediate vested right to a benefit equal to the sum of the balance of contributions, including any compounded interest earned on his or her employee and employer accounts.

Program Investments

Contributions to the CB Benefit Program are invested by CalSTRS in the same manner as other contributions received by CalSTRS, excluding private equity and real estate.

Guaranteed Interest Rate

The CB Benefit Program has a guaranteed interest rate that is determined annually by the Teachers' Retirement Board. The rate is based on the average of 30-year U.S. Treasury notes for the period from March to February immediately preceding the plan year. The interest rate in 2010–11 is 4.50 percent.

Gain and Loss Reserve

Funds accumulate in the Reserve to credit interest to participants' employee and employer accounts during years when the rate of return on investments is less than the guaranteed interest rate. Annual additions to the Reserve are determined by the Board on earnings in excess of those needed to credit the guaranteed interest rate and pay administrative costs. The Reserve is also used to ensure adequate funds are available in the Annuitant Reserve, which is established to pay monthly annuity payments. (Please see the section titled "Actuarial Principles and the Valuation Process" for more information.)

Additional Earnings Credit

After the end of the plan year, when the total investment earnings for the immediately preceding plan year are known, the Board may declare an additional earnings credit. An additional earnings credit is declared if the funded ratio of the CB Benefit Program is greater than 100 percent by an amount equal to twice the minimum interest rate for the year after the valuation. For example, the minimum interest rate of the CB Benefit Program in the 2009–10 fiscal year was 4.25 percent, based on the June 30, 2009, valuation. The funded ratio necessary to declare an additional earnings credit was 108.5 percent (100 percent plus twice the 4.25 percent minimum interest rate). The Board's resolution to grant any additional earnings credit takes effect the last day of the plan year. However, the actual date upon which the additional earnings credit is applied to the participant's account is specified by the Board. The Board previously adopted an additional earnings credit for the 1997–98 and 1998–99 plan years, which resulted in an average effective interest rate of 8.5 percent to participant accounts. The Board also adopted an additional earnings credit of 1.18 percent for the 2005–06 plan year and an additional earnings credit of 4.69 percent for the 2006–07 plan year.

Additional Annuity Credit

After the end of the plan year when the total amount of investment earnings of the plan year are known and the Board has authorized an additional earnings credit to be applied to participants' employee and employer accounts, the Board may also authorize an additional annuity credit. The additional annuity credit depends on the annuity of the participant or beneficiary for the plan year and is paid as a lump sum to the participant or beneficiary on the date specified by the Board. The Board adopted an additional annuity credit for the CB Benefit Program of 1.18 percent for the 2005–06 plan year and an additional annuity credit of 4.69 percent for the 2006–07 plan year.

Early Withdrawals

Both federal and state tax codes impose tax penalties for certain early withdrawals. A 10-percent federal and 2.5-percent state tax penalty may be assessed for early withdrawals, in addition to the normal tax liability.

Rollover

Participants may transfer funds from eligible retirement plans into the CB Benefit Program, as long as the transfers are allowable under applicable federal and state income tax laws.

Retirement and Disability Benefits

The CB Benefit Program offers a retirement benefit and a disability benefit, if the Board determines the participant has a total and permanent disability. The following distribution choices are available as a retirement or disability benefit from the CB Benefit Program:

- A lump-sum benefit equal to the balance of the participant's employee and employer contributions plus interest. The entire amount of the lump-sum payment may be rolled-over into an IRA, defined contribution plan or other eligible retirement plan that accepts such rollovers.

Or

- Participant may choose one of the following five annuities, if the participant's account balance is $3,500 or more.

Participant-Only Annuity

Provides a single-life annuity with a cash refund feature. Upon the retired participant's death, the balance of the participant's account will be paid in a lump sum to the participant's beneficiary.

100% Beneficiary Annuity

Provides a monthly annuity for the participant's lifetime and then for the lifetime of the participant's annuity beneficiary. Upon the participant's death, 100 percent of the participant's monthly annuity will be paid to the participant's annuity beneficiary. If the beneficiary predeceases the participant, a Participant-Only Annuity will be paid to the participant.

75% Beneficiary Annuity

Provides a monthly annuity for the participant's lifetime and then for the lifetime of the participant's annuity beneficiary. Upon the participant's death, 75 percent of the participant's monthly annuity will be paid to the participant's annuity beneficiary. If the beneficiary predeceases the participant, a Participant-Only Annuity will be paid to the participant.

50% Beneficiary Annuity

Provides a monthly annuity for the participant's lifetime and then for the lifetime of the participant's annuity beneficiary. Upon the participant's death, 50 percent of the participant's monthly annuity will be paid to the participant's annuity beneficiary. If the beneficiary predeceases the participant, a Participant-Only Annuity will be paid to the participant.

Period-Certain Annuity

The annuity will be paid in whole-year increments over a period of no less than three years and no more than 10 years in length, as specified by the participant. If the participant's death occurs before the end of the specified period, the remaining balance of payments will be paid to the participant's annuity beneficiary.

Spouse and Registered Domestic Partner

The CB Benefit Program provides equal coverage for participants' spouses and registered domestic partners. Except where prohibited by federal law, all provisions of the CB Benefit Program that apply to a married participant's spouse also apply to the registered domestic partner of a participant. To be eligible, a participant and his or her domestic partner must register with the California Secretary of State.

Reemployment after Retirement

If a participant is employed to perform creditable service subsequent to commencing a monthly annuity:

- Within one year and prior to age 60, then the annuity will be terminated, and a credit balance will be applied to the participant's account. The participant must reapply for subsequent retirement;
- After one year and age 60 or older, then the annuity will continue, and new contributions will be credited to a new account. The participant must apply for subsequent retirement to receive a benefit based on the new account.

Retirement Eligibility

Normal retirement age is 60; a participant may not retire earlier than age 55. To retire, a participant must terminate all creditable service subject to coverage by CalSTRS and apply for a retirement benefit. Distribution of a retirement benefit must begin by April 1 of the year after the participant reaches age 70½, unless the participant continues to perform creditable service.

Disability Eligibility

A participant may apply for disability at any time. All creditable service subject to coverage under the CB Benefit Program (and DB Programs, if applicable) must be terminated prior to the disability date. A disability benefit will become payable only upon determination by the Board that the participant has a total and permanent disability.

Final Benefit

Death of Participant Prior to Retirement

Normal distribution is a lump-sum benefit. The sum of the participant's employee and employer accounts is payable to the named beneficiary. If no valid beneficiary form is on file with the System, the lump-sum payment will be paid to the participant's estate.

Beneficiaries

A participant's beneficiary may elect to receive the benefit in the form of a Period-Certain Annuity, provided the balance of the participant's account equals or exceeds $3,500.

Termination Benefit

Upon termination of all creditable service subject to coverage by the Plan, for any reason other than death, disability, or retirement, a participant may apply for a lump-sum termination benefit (commonly referred to as a refund). The benefit amount is equal to the sum of the employee and employer accounts, plus interest as of the date the benefit is paid.

Waiting Period

The termination benefit is payable after six consecutive months have elapsed following the last date of paid employment of all CalSTRS creditable service, CB and DB. The application for a termination benefit will be canceled automatically if the participant performs any creditable service under the Plan within six consecutive months following the date of termination of employment.

Five-Year Rule

A participant may not apply for a termination benefit if less than five years have elapsed after payment of the most recent termination benefit to the participant.

Consolidation of Cash Balance and Defined Benefit Coverages

If a member has benefit coverage under both the DB and CB Benefit Programs and meets certain eligibility requirements, that member may elect to have his or her benefit coverage consolidated under the DB Program. To be eligible, the member must:

- Currently be making contributions under the DB Program;
- No longer be contributing to his or her CB account;
- Have eligible CB service to convert; and
- Have funds in his or her CB account.

When a member elects to consolidate these benefits, the contributions and interest from his or her CB account are transferred to the DB Program balance, and the CB account is closed. CalSTRS determines the service credit that could be added to the DB account based on the work the member performed as a CB participant and applies those funds toward the cost of converting the eligible CB service under the DB Program. If a balance remains in the CB account after conversion, the balance is transferred to the member's DBS account.

Medicare Premium Payment Program

The Federal Medicare Program

Federal Medicare health insurance comes in three parts: Medicare Part A (hospital), Medicare Part B (medical), and Medicare Part D (prescription drug coverage). To be eligible for federal Medicare health insurance coverage, an individual must be at least 65 years of age, a resident of the United States, and a U.S. citizen or an alien who has been lawfully admitted for permanent residence. A few people under 65 years of age are also eligible. While California educators do not pay into Social Security, as of April 1986, new employees do pay the Medicare tax of 1.45 percent of gross earnings and can earn up to four credits per year.

Most people do not pay for Medicare Part A because they have earned at least 40 Medicare credits by paying the Medicare payroll tax or have eligibility through a spouse who has earned at least 40 Medicare credits. However, most people do pay for Medicare Part B. In addition, all individuals with Medicare have access to prescription drug coverage under Medicare Part D. CalSTRS does not pay the premiums for Medicare Parts B or D.

Medicare Premium Payment Program Description

The Medicare Premium Payment (MPP) Program began on July 1, 2001. Under the program, CalSTRS pays the Medicare Part A premiums for eligible retired Defined Benefit Program members who do not qualify for premium-free Medicare Part A coverage. CalSTRS also pays the Medicare Parts A and B late enrollment surcharges for DB members who retired prior to January 1, 2001, provided that CalSTRS is paying for their Medicare Part A premiums, and they enrolled in Medicare by July 1, 2001. CalSTRS cannot pay any late enrollment surcharges for DB members who enrolled in Medicare after July 1, 2001. As a service and with authorization from a retired DB member, CalSTRS will also deduct the Medicare Part B insurance premium from the member's benefit and forward the premium to the Centers for Medicare and Medicaid Services, the federal agency that administers Medicare.

Program Eligibility Requirements

All DB members retired prior to January 1, 2001, who enroll in both Medicare Parts A and B and do not qualify for premium-free Medicare Part A coverage are eligible for the MPP Program. The Board has extended the program to retired DB members who retire prior to July 1, 2012, provided that the DB members retire from districts that have completed or are in the process of completing a Medicare Division by the date of their retirement. Members retiring after January 1, 2001, must do so during or after the 10-day Medicare election period. Furthermore, if a Medicare election period was held after January 1, 2001, and the member was less than 58 years of age at that time, they must have elected Medicare coverage.

Effective January 1, 2004, disabled members who otherwise meet eligibility criteria are also eligible for the MPP Program. This program is not available to a member's spouse, domestic partner, or beneficiaries.

Medicare Division Elections

CalSTRS members employed by school employers, including county offices of education, and hired before April 1986 are not required to pay the Medicare payroll tax. All employees hired after April 1986 must pay the Medicare payroll tax. However, employers could have held a Medicare Division, during which employees hired prior to April 1986 elected to pay the Medicare payroll tax (1.45 percent of pay). If the employee chose to pay the Medicare payroll tax, the employer also pays a matching Medicare payroll tax. As of July 2007, 169 school employers have not conducted a Medicare Division.

There are a few employers for which all the employees hired prior to April 1986 are 58 years of age or older. In addition, some employers unified or consolidated after April 1986. If the employees of these employers paid the Medicare payroll tax after the consolidation, there is no need for the employer to hold a Medicare Division. The district must write a letter to CalSTRS to certify either of the above.

Enrollment Information

If members retire prior to attaining age 65, CalSTRS sends an enrollment packet to them approximately three months prior to their 65th birthday. If members retire on or after their 65th birthday, CalSTRS sends an enrollment packet within a month of their retirement. Members are also welcome to call the CalSTRS Call Center toll-free at 800-228-5453 to request an information packet about the CalSTRS MPP Program.

To participate in the MPP Program, members must submit a CalSTRS Medicare Payment Authorization form along with a copy of their Notice of Medicare Premium Payment Due (Medicare bill).

Comparison

CalSTRS (DB Program)

CalPERS Classified School Employees

CalPERS State Employees (Tier 1) – Non-Safety

	CalSTRS: DB Program Coverage B	CalPERS: Classified School Members	CalPERS: State Miscellaneous (Non-Safety) (Tier 1)
Eligibility For Membership	Mandatory membership: All certificated and community college employees of public schools (K–14), whose basis of employment is 50% or more Elective membership: Part-time and substitute certificated employees hired to work less than one-half time; charter school employees	Non-teaching, non-certificated school employees working one-half time or more	• Non-safety state employees working one-half time or more • Judicial branch employees, excluding appointed and elected judges • Non-elected legislative employees • California State University employees
Normal Retirement Age	60	55	55; 60 for members hired on or after 1/15/2011
Earliest Retirement Age	50	50	50
Vesting Requirement for:			
Service Retirement	5.000 years credited service Note: 30.000 years service credit required for retirement between ages 50–55	5.000 years credited service	5.000 years credited service
Disability Retirement Allowance	5.000 years credited service or 1.000 year credited service for disability resulting from a violent act occurring during the course of one's employment	5.000 years credited service (No vesting requirement for Industrial Disability)	5.000 years credited service (No vesting requirement for Industrial Disability)
Survivor Benefits	1.000 year service credit	Varies by age and service credit	Varies by age and service credit
Factors of the Benefit Calculation:			
Benefit Formula at Age 60	2% @ age 60 (2% x final compensation x years of service credit)	2.314% @ age 60 (2.314% x final compensation x years of service credit)	2.314% @ age 60 (2.314% x final compensation x years of service credit) 2.0 @ age 60 for members hired on or after 1/15/2011

Comparison

CalSTRS (DB Program)

CalPERS Classified School Employees

CalPERS State Employees (Tier 1) – Non-Safety

	CalSTRS: DB Program Coverage B	CalPERS: Classified School Members	CalPERS: State Miscellaneous (Non-Safety) (Tier 1)
Benefit Formula Prior to Age 60	1.100% at age 50 1.160% at age 51 1.220% at age 52 1.280% at age 53 1.340% at age 54 1.400% at age 55 1.520% at age 56 1.640% at age 57 1.760% at age 58 1.880% at age 59	1.100% at age 50 1.280% at age 51 1.460% at age 52 1.640% at age 53 1.820% at age 54 2.000% at age 55 2.064% at age 56 2.126% at age 57 2.188% at age 58 2.250% at age 59	1.100% (or 1.092%)[1] at age 50 1.280% (or 1.156%) at age 51 1.460% (or 1.224%) at age 52 1.640% (or 1.296%) at age 53 1.820% (or 1.376%) at age 54 2.000% (or 1.460%) at age 55 2.064% (or 1.552%) at age 56 2.126% (or 1.650%) at age 57 2.188% (or 1.758%) at age 58 2.250% (or 1.874%) at age 59
Age Formula (Factor)	2.133% at age 61 2.267% at age 62 2.400% at age 63 and older	2.376% at age 61 2.438% at age 62 2.500% at age 63 and older	2.376% (or 2.134%) at age 61 2.438% (or 2.272%) at age 62 2.500% (or 2.418%) at age 63 and older
Disability Formula	50% of final compensation (some exceptions under Coverage A)	With 5–10 years of service, or 18½ or more years of service: 1.8% x years of service x final compensation. Between 10 and 18½ years of service: Allowance may be improved up to 33.333% of final compensation. If eligible for service retirement, member will receive whichever is higher, service or disability allowance.	With 5–10 years of service, or 18½ or more years of service: 1.8% x years of service x final compensation. Between 10 and 18½ years of service: Allowance may be improved up to 33.333% of final compensation. If eligible for service retirement, member will receive whichever is higher, service or disability allowance.
Basic Death Benefit	Active or disabled members who die before retirement and without pre-retirement option: A lump-sum death payment of $6,163 or $24,652 is payable to the designated beneficiary(ies), depending on coverage Retired or active members with a pre-retirement option election: A lump-sum death payment of $6,163 to beneficiary(ies)	Active members: Return of member contributions and interest, plus up to 6 months' salary prorated 1 month per year of service Retired members: $2,000 lump-sum death payment	Active members: Return of member contributions and interest, 6 months' salary, and a $5,000 lump-sum death payment. Retired member: $2,000 lump-sum death payment
Career Bonuses:			
Career Factor	Additional 0.2% with 30 or more years of service	No	No
Longevity Bonus	Additional $200/month with 30 years of service, $300/month with 31 years of service, $400/month with 32 or more years of service, (if 30 years of service prior to January 1, 2011)[2]	No	No

Comparison

CalSTRS (DB Program)

CalPERS Classified School Employees

CalPERS State Employees (Tier 1) – Non-Safety

	CalSTRS: DB Program Coverage B	CalPERS: Classified School Members	CalPERS: State Miscellaneous (Non-Safety) (Tier 1)
Final Compensation	Highest average annual compensation earnable for 12 consecutive months for members with 25 or more years of service credit. Otherwise, highest three consecutive years unless district grants a one-year final compensation period.	Highest average compensation earnable for 12 consecutive months from CalPERS or reciprocal system (if applicable).	Members hired prior to 1/1/07: Highest average compensation earnable for 12 consecutive months from CalPERS or reciprocal system (if applicable). Members hired after 1/1/07: May be highest average compensation earnable for 36 consecutive months; depending on bargaining unit, or if hired on or after 1/15/2011.
Purchasing Power Adjustment	Up to 85%	Up to 75%	Up to 75%
Annual Benefit Adjustment/ Cost-of-Living Adjustment	An increase equal to 2% of the initial benefit, each year, beginning on September 1 after the first anniversary of retirement. The adjustments are not compounded.	A maximum cost-of-living adjustment of 2% per year based on the Consumer Price Index for all U.S. cities, starting in the second calendar year of retirement.	A maximum cost-of-living adjustment of 2% per year based on the Consumer Price Index for all U.S. cities, starting in the second calendar year of retirement on the May 1 check.
Credit for Unused Sick Leave	Yes, converts to service credit.	Yes, converts to service credit.	Yes, converts to service credit.
Retirement Incentive Additional Service Credit and Age (if applicable)	Yes, if school district elects to offer 2 years additional service credit through formal resolution or MOU.	Additional service is possible if approved by school employer.	Additional service is possible if by Governor's Executive Order or legislation (For Legislative and Judicial branch employees, by resolution).
Health Benefits After Retirement	Not provided by CalSTRS. Provided only on a district-by-district basis. Districts may choose to provide PEMHCA coverage.	Provided only on a district-by-district basis. Districts may choose to provide PEMHCA coverage. Employer contribution varies by district and is based on collective bargaining.	Provided if employee retires within 120 days after separation from a qualifying position. Must meet vesting requirements, if applicable. Employer contribution formula determined through bargaining and is established by law.
Purchase of Service Credit:			
Out-of-State Service	Yes	No	No
Non-qualified	Yes	Yes	Yes
Military	Yes	Yes	Yes

Comparison

CalSTRS (DB Program)

CalPERS Classified School Employees

CalPERS State Employees (Tier 1) – Non-Safety

	CalSTRS: DB Program Coverage B	CalPERS: Classified School Members	CalPERS: State Miscellaneous (Non-Safety) (Tier 1)
Redeposit of Withdrawn Contributions	Yes	Yes	Yes
Miscellaneous:			
Board Ability to Adjust Employer Contribution Rate	No	Yes	Yes
Current Employee Contribution Rate	8% of salary[2]	7% of salary	In Social Security: 5% of salary over $513 Not in Social Security: 6% of salary over $317 For specified bargaining units, as of 9/1/2010: In Social Security: 8% over $513 Not in Social Security: 9% over $317
Current Employer Contribution Rate	8.25% (with some exceptions)	9.709% for 2009–10	19.622% for 2010–11
Coordinated with Social Security	No	Optional for those employed on 11/4/1959. Yes, for those employed after that date.	Optional for those employed on 11/6/1961. Yes, for those employed after that date.

[1] For employees hired on or after January 15, 2011.

[2] To qualify for the longevity bonus, members must earn 30 or more years of service credit prior to January 1, 2011. However, members are not required to retire by this date to qualify for the bonus.

[3] Through December 31, 2010, 25 percent of the member's contributions to the CalSTRS DB Program will be credited to a separate, nominal account in the DBS Program with no change to the retirement benefit formula.

History of CalSTRS Funding and Benefits

Summary

Chapter 694, Statutes of 1913 (AB 1263), established the Public School Teachers' Retirement Salary Fund as a function of the State Board of Education, effective July 1, 1913. CalSTRS was created to provide California teachers with a secure financial future during their retirement years and to provide an incentive for them to stay in the teaching profession their entire working careers.

All certificated public school teachers, teaching superintendents, "supervising executives, or educational administrators" automatically became members of the retirement system when it was first established. Membership in the Defined Benefit Program currently includes all employees in California public schools in positions requiring membership, from kindergarten through community college. With more than 852,300 members and benefit recipients, CalSTRS is the nation's largest public teachers' pension organization and the second largest public fund in terms of the Teachers' Retirement Fund's (TRF's) market value. As of December 31, 2010, the TRF's market value was $146.4 billion.

Funding History

1913

- When the retirement plan was founded in 1913, California public school teachers were granted retirement credit for the service they had performed prior to that date. No contributions were required from the teachers or employers for the retirement credit granted for service performed prior to the establishment of the System. This caused the retirement plan to have an unfunded obligation from the beginning.
- Member contributions were $12 per year.
- Employers made no contributions.
- State contributed 5 percent of the inheritance tax revenue for each fiscal year.

1935

- Member contributions increased to $24 per year.
- Employers contributed $12 per year, per employee.
- State continued to pay 5 percent of the inheritance tax.

1944

- Member contributions changed to a percentage of salary depending on gender and age as of July 1, 1944, or later membership. The rate varied from 2.53 to 4.85 percent.
- Employer contribution rate continued at $12 per year, per employee.
- State's contribution rate replaced by a pay-as-you-go funding mechanism. Under this approach, the State annually appropriated the amount needed over and above the current years' employer contribution to pay the pension portion of all allowances currently being paid.

1950, 1951 and 1955

- Member contribution rates increased in these years, up to a range of 5.77 to 10.15 percent.
- Employer contributions did not change.
- State pay-as-you-go funding did not change.

1956

- Member contributions increased to a range of 9.53 to 13.52 percent.
- Employer contribution rate of $12 per year, per employee augmented by a 3 percent of salary contribution to be used on a pay-as-you-go basis to pay for current benefits (3 percent contribution limited by the assessed valuation of the school district. Because salaries grew faster than the assessed valuation, the percentage of payroll declined year by year.)
- State's pay-as-you-go funding did not change.

1959

- Member contributions decreased to a range of 7.46 to 12.72 percent.
- Employer contributions did not change.

Plan Description and Financing

- State's pay-as-you-go funding did not change.

1962

- Member contribution rate decreased to a range of 6.13 to 11.86 percent.
- Employer contribution did not change.
- State's pay-as-you-go funding did not change.
- The unfunded actuarial obligation grew to $3.6 billion.

1972 – E. Richard Barnes Act

- In 1970, estimates indicated the State's pay-as-you-go annual appropriation would grow from $71 million in the 1967–68 fiscal year, to $245 million in 1979–80 and $635 million in 1989–90. As the allowance rolls grew at an accelerating rate, it was believed the System could not look forward with any certainty to continued receipt of the ever-increasing state appropriation. Legislation effective July 1, 1972, established the E. Richard Barnes Act and radically changed the funding of CalSTRS to long-range reserve funding (pre-funded basis); AB 543.
- Members' variable contribution rate, which was averaging 7.4 percent, changed to a fixed 8 percent of salary.
- Employer contribution rate, which averaged 2 percent in 1971–72 because of the assessed valuation limitation, changed to a matching 8 percent of salary level.
- It was anticipated the 16 percent total employee-employer contribution would fund future service in the redesigned program. However, to obtain passage of the program, the employer contribution was graded-in from 3.2 percent in 1972–73, up to the full 8 percent in 1978–79; this alone reduced the System's long-term income by $1.8 billion.
- State's pay-as-you-go contribution replaced with a level $130 million per year for 30 years to amortize the cost of benefits in force as of June 30, 1972. The cost of all prior service for current members was not funded and resulted in the System's unfunded actuarial obligation at that time.
- Added $5 million for 30 years to the $130 million annual state appropriation to repay the CalSTRS reserves for a shortage in the 1971–72 state contribution.

1976

- Member contribution rate remained at 8 percent.
- Employer graded-in contribution rate did not change.
- $9.3 million state appropriation added to the $135 million appropriation for a total $144.3 million annual appropriation; increase specifically tied to an ad hoc benefit increase.

1979

- As part of a major education financing bill in 1979, AB 8 by Assemblyman Leroy Greene, addressed the funding of the CalSTRS unfunded actuarial obligation. First, the state's limited term $144.3 million annual appropriation was changed to a perpetual appropriation, which was to be increased cumulatively or decreased beginning with the 1980–81 fiscal year by an amount reflecting the change in the All Urban California Consumer Price Index (CCPI) in the preceding fiscal year.
- The second component of AB 8 (Green) was an ever-increasing appropriation of $10 million in 1980–81 graded-up to $280 million in 1994–95. The $280 million would then be indexed by the CCPI starting in the 1994–95 fiscal year. Initially, the new funding was to have been $100 million commencing in 1980–81 with CCPI indexing beginning in the 1981–82 fiscal year. It was necessary, however, to change to the graded-in appropriation to obtain legislative approval of the unfunded obligation funding.

1980

- 0.307 percent of total creditable compensation levied on employers but paid directly to CalSTRS from the General Fund to fund an ad hoc benefit increase for pre-June 30, 1973, retirees. Did not establish sunset date on funding.

1981

- 0.108 percent of total creditable compensation paid directly to CalSTRS from the General Fund to fund ad hoc benefit increase for pre-January 1, 1980, retirees. Established funding sunset date, December 31, 1996.

1983

- Chapter 1433, Statutes of 1982, required the System to terminate its interagency agreement with the California Public Employees' Retirement System for use of their investment staff to manage the CalSTRS investment portfolio. As a result, CalSTRS contracted with three investment firms for management of the Fund's investments and development of a long-range investment management plan.

1985

- Permanent funding of 0.25 percent of creditable compensation established for the conversion of member's unused sick leave to service credit at retirement. The General Fund appropriated the funds to the TRF for the 1985–86 fiscal year.

1989

- A funding stream from the General Fund equal to 2.5 percent of prior year teacher payroll established to provide for supplemental payments to maintain 68.2 percent of the purchasing power of allowances.

1990

- In 1990–91, state General Fund contributions totaled approximately $475 million; $275 million from the first component and an additional $200 million from the second component. This represented approximately 4.6 percent of payroll at that time; however, future years' contributions were a declining percentage of payroll estimated to be just above 2 percent by fiscal year 2032–33.
- The General Fund contribution of .25 percent of member salaries for the conversion of unused sick leave to service credit was repealed and became the responsibility of the employer.
- Another "fix" was critically needed to stem the ever-growing unfunded actuarial obligation. When the General Fund began providing contributions in 1979, it was an attempt to reduce the unfunded actuarial obligation. However, the System continued to operate with a normal cost deficit at 0.94 percent, or approximately $130 million, in 1990. The normal cost deficit had for years continued to roll new debt into the unfunded actuarial obligation.
- The CalSTRS consulting actuary recommended the Board support legislation to change the indexing of the state General Fund contributions from the CCPI to the ratio of the previous year's total teacher payroll. Projections conducted by the actuary at that time indicated the AB 8 (Green) indexing to CCPI methodology would allow the unfunded actuarial obligation to grow without limit. If indexing were changed to teacher payroll, the unfunded actuarial obligation would continue to grow for about 25 years but at a slower rate, then begin to decline and be eliminated by approximately the 39th year.
- Calculations conducted in 1990 indicated a level of 4.2 percent of prior teacher payroll would be sufficient to fund the unfunded actuarial obligation within a reasonable period – 45 years – and stem the normal cost deficit. Negotiations in the deliberation of the new indexing resulted in suspending all General Fund contributions for one year (the 1990–91 fiscal year); therefore, the General Fund contribution was increased to 4.3 percent to fund the additional liability without further extending the funding period.
- The Legislature passed, and the Governor signed into law, the Elder State Teachers' Retirement Full Funding Act to provide a General Fund appropriation of 4.3 percent of prior year payroll to fund first the normal cost deficit, then any remaining unfunded actuarial obligation.

1998

- In March of 1998, the CalSTRS actuary completed its actuarial valuation of the TRF and determined the fund assets represented

97 percent of its liabilities. In addition, if the Board's assumptions were realized, the unfunded liability would be eliminated by June 30, 2000. Once the unfunded liability was eliminated, the 4.3 percent of payroll used for this purpose would decline by .25 percent per year to fund any normal cost deficit and would decline at that rate to 0 percent, if there was no normal cost deficit. In addition, a .25 percent contribution rate by employers for unused sick leave and .307 percent of payroll paid by the General Fund for an ad hoc benefit would no longer be needed.

- As a result of this finding, an opportunity existed to use the General Fund money that had been appropriated to the TRF for purposes of retiring the unfunded liability for improved benefits. Following an analysis of CalSTRS' existing benefits and the benefits available under other retirement systems, the administration agreed to use a portion of the General Fund contribution for benefits designed to recruit and retain teachers to accommodate California's increased demand for teachers. Specifically, 65 percent of the 4.3 percent of payroll could be applied for that purpose. In addition, the .25 percent of payroll that had been levied on employers to cover unused sick leave credit and the .307 percent of payroll to fund an ad hoc benefit would continue to assist in funding the new benefits. In addition to these changes, funding would continue from the General Fund to eliminate the remaining unfunded liability in the TRF. The actuary determined the unfunded liability would be eliminated in 30 years, if the contribution for that purpose were reduced to .524 percent of payroll.
- AB 2804 (PER&SS) enacted all of the TRF funding agreed to by the administration. Specifically, an amount equal to 3.102 percent (65 percent of 4.3 percent, or 2.795 percent, plus .307 percent) is transferred each year from the General Fund to the TRF to fund increased benefits. The .25 percent contribution by employers is also continued to fund the conversion of unused sick leave to service credit for all employees. Finally, if there is an unfunded liability associated with the benefits in effect as of June 30, 1990, an additional amount, initially equal to .524 percent of payroll, is transferred from the General Fund. Once that unfunded liability and the normal cost deficit attributable to benefits in effect as of July 1, 1990, are eliminated, the transfer is also eliminated. If the unfunded liability should return, a transfer from the General Fund would be resumed, increasing at the rate of .25 percent of payroll per year, up to a maximum of 1.505 percent (4.3 percent less the 2.79 percent being used for benefits).

2000

- AB 2700 (Lempert) reduced the General Fund appropriation for the DB Program from 3.102 percent of creditable compensation in the prior calendar year to 2.5385 percent in 2000–01 and 1.975 percent in 2001–02. Beginning with the 2003–04 fiscal year, the General Fund contribution was set at 2.017 percent of total creditable compensation of the fiscal year ending in the prior calendar year. This reduced the General Fund transfer for the DB Program by 35 percent beginning January 1, 2001. This reduced contribution rate is equal to the current normal cost of benefits that became effective January 1, 1999. In addition, the DB Program will continue to be protected against adverse experience in the pre-1990 benefits.

2003

- SBX1 20 (Committee on Budget and Fiscal Review) decreased the transfer to the Supplemental Benefit Maintenance Account by $500 million for the 2003–04 fiscal year and required the Board, beginning in 2006, to report to the Legislature and the Director of Finance regarding the ability of CalSTRS to make purchasing power protection payments in each fiscal year until 2036. If the Board determined the loss of $500 million in contributions resulted in its inability to sustain the current SBMA program through 2035–36, then the $500 million, plus interest, would be repaid to the SBMA, subject to certification by the Director of Finance.

2005

- AB 55 (Mullin) would have increased contributions to the SBMA beginning in fiscal year 2008–09 through 2012–2013 to replace the reduction in contributions made by SBX1 20 in 2003–04; the Governor vetoed this measure on October 7, 2005, because the repayment of the contributions was the subject of on-going litigation.
- As part of its efforts to restore the $500 million State contribution withheld by SBX1 20, the Teachers' Retirement Board brought a lawsuit against the State. The Sacramento County Superior Court ruled in CalSTRS' favor on May 4, 2005; however, the State appealed the decision to the Third District Court of Appeals.

2007

- The Teachers' Retirement Board was successful in its litigation to compel payment of the $500 million State contribution withheld for the 2003–04 fiscal year by SBX1 20. The $500 million was received September 6, 2007. However, interest was also awarded by the court and was not immediately appropriated by the Legislature.

2008

- ABX3 8 (Committee on Budget) specified that the 2008–09 General Fund transfer to the SBMA shall be made on November 1st.
- SB 242 (Torlakson) expressed legislative intent to pay for litigation costs incurred by CalSTRS and expressed the Legislature's intent to appropriate funds in future fiscal years for repayment of interest due to CalSTRS for underpayment of the SBMA appropriation in 2003–04.
- Among other provisions, AB 1389 (Committee on Budget) reduced the amount of General Fund appropriations to the Teachers' Retirement System; changed the date on which the appropriation is made from a single payment to two equal payments made on November 1st and April 1st of each year; established a four year appropriation to repay the actuarial equivalent of lost interest due to the deferment of the $500 million in 2003–04.

2009

- AB 654 (Mendoza), beginning July 1, 2010, establishes the regular interest that is applied to redeposits of previously withdrawn contributions, service credit purchases, retirement incentives, and penalties at a rate equal to the actuarially assumed rate of return on investments. This will result in an increase in the rate from the previous rate of 5.25 percent to 8 percent for fiscal year 2009–10. This increase generates funds for the TRF by replacing the interest that could have been earned through investment.

  AB 654 also requires CalSTRS to assess penalties on late contributions and late reports, in accordance with regulations to be established by the Teachers' Retirement Board.

  This legislation was sponsored by the Teachers' Retirement Board.

2010

- The Teachers' Retirement Board adopted a reduced investment assumption (7.75 percent) and a reduced inflation assumption (3 percent) for the June 30, 2010, actuarial valuation of the DB Program. The investment assumption had been 8 percent since FY 1994–95, while the inflation assumption had been 3.25 percent since FY 2002–03.

Benefit Structure

1913

- Initial retirement pension of $500 per year paid in quarterly installments of $125.
- Teachers required to have 30 years of teaching service, at least half of which is in California schools, including the 10 years prior to retirement.
- Eligibility for disability benefits required 15 years of California teaching service; benefits prorated for actual years of service.
- Survivor benefits not provided under the original benefit structure.

1935

- Retirement benefits increased to $600 per year.

1944

The first of several major redesigns to the System resulted from legislation:

- Disability benefits improved; all retirees with at least 30 years of credited service guaranteed a minimum retirement allowance of $60 per month.
- Age 63 was established as the normal retirement age with specified reductions for early retirement, starting at age 58.
- Vesting changed from 30 years to 10 years of service.

1950

- Normal retirement age dropped from 63 to 60; early retirement age from 58 to 55.

Benefits broadened later in the 1950s:

- First death benefit program established with benefits fixed at one month's salary for every year of service (up to a maximum of six months salary/six years of service).
- In 1953, the minimum retirement allowance rose from $60 to $170 per month for those who retired at age 60 or older with 30 years of credited service.

The second major redesign occurred in 1956:

- Benefits calculated based on fixed percentage (1.667 percent) of final compensation for each year of credited service, rather than on accumulated earnings; tied benefits to varying economic conditions (final compensation) and not fixed dollar values (accumulated contributions).
- In 1958, vesting reduced from 10 to 5 years.
- In 1959, the first Survivor Benefits program was established to provide continuing benefits for the dependent children and spouses of deceased members.

1960s

No benefit increases implemented. However, accomplished significant administrative efficiencies; created first CalSTRS tax-sheltered annuity program in 1963.

1970s

- Benefit rolls grew at a rapid pace, but benefit values fell and CalSTRS was faced with a $3.6 billion accrued liability. Dramatic change was needed, and the E. Richard Barnes Act was established.
- The Barnes Act established the following basic benefit structure:
  - » Benefit formula: 2 percent of final compensation at age 60;
  - » $2,000 lump-sum death payment;
  - » Family Allowance program;
  - » Disability benefit: 50 percent of final compensation;
  - » 2-percent simple COLA.
- In 1979, an ad hoc benefit increase for members who retired prior to June 30, 1973.

1981

- A minimum unmodified allowance was provided to guarantee no less than $16/month for each year of service credit for pre-January 1, 1981, retirees.
- In 1981, a minimum unmodified allowance was provided to guarantee no less than $18/month for each year of service credit for pre-January 1, 1982, retirees.

1986

- Converted to unisex option factors.

1987

- Extended sunset date for Golden Handshake Program to June 30, 1990; AB 960.
- Authorized concurrent retirement for CalSTRS members who move to employment covered by the Legislator's Retirement System; SB 990.

1988

- Authorized certain retirees of CalSTRS to elect to purchase up to four years of military service credit; AB 3195.
- Established separate accounts for service credit, contributions and interest awarded to a nonmember spouse; SB 1190.
- Provided exemption from Probate Code to expedite death claim payments under certain conditions; SB 2080.

- Modified membership qualifications for substitutes and part-time employees; SB 2082.
- President signed Technical and Miscellaneous Revenue Act of 1988, which modified limitations for section 415(b) of 1986 IRC for government plans.

1989

- Established the SBMA funding stream to restore 68.2 percent purchasing power of benefits and required annual distribution of this benefit; SB 1407 and SB 1513.
- Extended interest payments to option beneficiaries for late monthly allowance payments; SB 686.
- Changed postretirement earnings limit from 50 percent to 100 percent of the change in the CCPI; SB 1039.

1990

- Extended sunset date of the Golden Handshake Program to December 31, 1993; AB 2609.
- Increased the post retirement earnings limit to $15,000, adjusted annually according to the CCPI; AB 4048.
- Adjusted calculations used in post disability service retirement allowances for those members who retired after reinstatement from disability; AB 4284.
- Authorized CalSTRS to establish a loan program to assist with natural disaster situations; ABX1 53.
- Memorialized Congress to establish a process by which CalSTRS retirees can purchase the quarters needed to meet Medicare Part A eligibility; AJR 71.
- Added Options 6 and 7 settlements to allow a retiree to return to the Member-Only Benefit in the case of the designated beneficiary's death; SB 682.
- Elder Full Funding Act – revised the annual General Fund contribution to a level providing full funding of normal cost and provided amortization of the CalSTRS unfunded obligation; SB 1370.
- Equity Study appropriated funds to study the equity of benefits available under CalSTRS; SB 2469. The study identified the following inequities, which were subsequently reported to the Legislature:
  - Family allowance discontinues when spouse remarries – completed;
  - Refund of contributions to the surviving spouse of a deceased active member when the spouse remarries;
  - Payment of allowances to dependent children age 18 to 22 – completed;
  - Service credit for part-time service – completed;
  - Sick leave service credit upon pre-retirement death of a member – completed;
  - Eligibility to elect the pre-retirement option is not the same as eligibility to retire;
  - Service retirement allowance formula for reinstated disabled member;
  - Allow beneficiary of deceased member to continue redepositing previously refunded contributions;
  - Payment of quarterly supplement following the death of a retired member;
  - Cost basis for purchase of service credit;
  - Eligibility for family allowance is different for reinstatement versus rehire;
  - Service credit under the reduced workload program;
  - Various other issues.
- President signed the Older Workers Benefit Protection Act, which required CalSTRS to enact new disability benefit programs that do not discriminate on the basis of age.

1991

- CalSTRS members who served on active duty in the Persian Gulf conflict were newly allowed to purchase credit for the time spent on military leave; SB 1171.

1992

- CalSTRS Disability and Survivor Benefits Programs restructured to comply with the federal Older Workers Benefit Protection

Act; allowed persons already members of CalSTRS to elect to participate in the new program and made other changes to bring CalSTRS into federal compliance with the Act (SB 1884, SB 1885, SB 1886):

» Members eligible for lifetime disability at 50 percent of final compensation;

» Automatic children's benefit to age 21, if eligible;

» Reduced offsets;

» Eliminated remarriage penalty;

» Survivor Benefits restructured:

Family Allowance (Coverage A): A $5,000 lump-sum death payment upon the death of the active member, to be increased following each biennial actuarial valuation based on changes in the CCPI.

Survivor Benefits (Coverage B): A $20,000 lump-sum death payment upon the death of an active member, to be increased following each biennial actuarial valuation based on changes in the CCPI.

In addition to a $5,000 lump-sum death payment, the surviving spouse may receive either a monthly allowance or a return of the member's contributions plus interest.

Disability Allowance (Coverage A): A member who qualifies for a disability allowance receives the allowance as long as the disability exists or until age 60. At age 60, the allowance is terminated and the member is eligible to apply for service retirement. A disability allowance may continue beyond age 60 only if there are eligible children and the qualifying disability remains.

Disability Retirement (Coverage B): Is applicable to all DB Program members hired on and after October 16, 1992, and to members who elected Coverage B during the 1992–93 benefit election period. A member who qualifies for a disability retirement allowance is considered retired and receives the allowance as long as the disability remains, without respect to age.

- Members permitted to purchase service credit for time spent on approved family care leave; AB 2538.
- To avoid the new federal 20 percent withholding requirement on the taxable portion of lump-sum distribution, CalSTRS was authorized to make rollovers directly to other eligible retirement plans; AB 2721.
- President signed the Unemployment Compensation Amendments Act of 1992 to allow for rollovers.

1993

- "Float Suit" settlement: CalSTRS and CalPERS received General Fund appropriations as the result of the settlement for a lawsuit they filed against the State to recover their investment earnings in the State's Pooled Money Investment Account between 1984 and 1988. CalSTRS received $8.9 million, and CalPERS received $7.5 million; SB 77.
- A member's retirement allowance calculation may be based on the member's highest earnable compensation during any three non-consecutive years of CalSTRS membership if the member's salary was reduced due to budget restrictions; employers may elect to preserve members' retirement benefits when salary reductions due to budget cuts have occurred; SB 698.
- A CalSTRS member who retired under Option 2 or 3 before January 1, 1991, was allowed to change to Option 6 or 7; SB 754.
- The CalPERS Long-Term Health Care Program was expanded to include CalSTRS members; SB 857.

1994

- The administrative fee for processing a refund to a member was repealed; AB 2550.
- CalSTRS employers were newly required to inform part-time teachers of their right to elect membership in CalSTRS; AB 2554.
- Membership in CalSTRS extended to part-time and substitute adult education teachers; AB 2647.
- CalSTRS required to offer a Tax Sheltered Annuity program; AB 3064.
- CalSTRS required to offer a mid-career retirement planning information program; AB 3407.
- CalSTRS permitted to develop one or more deferred compensation plans; AB 3705.

- Retirement Incentive Program re-established and provided an additional 2 years of service credit through December 31, 1998; SB 858.
- President signed USERRA, which allows returning military veterans to make-up pension accruals.

1995

- The postretirement earnings limit exemption was extended to certain retired members who return to administrative positions necessary to ensure or restore the financial stability of a troubled school district; AB 948.
- Minimum standards for full-time employment for all classes of employees were established for the purposes of crediting service; AB 1122.
- The Cash Balance Benefit Program was established, to be administered by CalSTRS for part-time public school employees; AB 1298.
- The requirement that a surviving spouse of a CalSTRS member must wait to turn 60 to receive a monthly allowance under Coverage A was eliminated; the age and service requirements to make a pre-retirement option election were changed to be the same as eligibility requirements for retirement; the assessment for canceling an option was adjusted to better reflect actual costs to CalSTRS of providing that coverage; AB 1441.

1996

- The requirement for dependent child to maintain full-time student status to remain eligible for disability or family allowance under Coverage A was eliminated; AB 3032.
- $540,000 appropriated to CalSTRS pursuant to settlement of a 1992 claim relating to the Elder Full Funding appropriation for the SBMA; SB 2095.
- President signed the National Defense Authorization Act, which grants California's claim for compensation for two school land sections known as Elk Hills Naval Petroleum Reserve.
- President signed amendment to Title 4 of the U.S. Code, which prevented California and other States from imposing a source tax on the payment of pension plans, as specified.
- President signed the Small Business Job Protection Act of 1996, which provided pension simplification for governmental plans, such as CalSTRS and IRC section 415 provisions.

1997

- Purchasing power protection increased from 68.2 to 75 percent; SB 1026.
- Members who taught in a public school in another state or territory became eligible to purchase up to 10 years of service credit associated with that prior service, beginning in 1999; SB 1027.
- Members permitted to redeposit contributions withdrawn by a nonmember spouse; SB 1027.
- Earnings limit exemption enacted for teachers participating in the class size reduction program; AB 18.
- Disability benefits expanded to victims of an unlawful act; SB 629.
- The postretirement earnings limit exemption was expanded to include members who retired under the Golden Handshake provisions and wait one year before returning to work; AB 686.
- Elk Hills Naval Petroleum Reserve was sold with net proceeds to benefit 75 percent purchasing power protection; National Defense Authorization Act.
- President signed the Taxpayer Relief Act of 1997, which made permanent the present moratorium on the application of the nondiscrimination tax rules; made changes in procedures related to the application of the Simplified General Rule; allowed for portability of permissive service credit under governmental pension plans and other relief from the IRC section 415 defined contribution limits.

1998

- The age factor in the retirement benefit formula for members who retired on or after January 1, 1999, was increased to a maximum of 2.4 percent at age 63; AB 1150. In addition, members with 30 or more years of credited service received an increase of .2 percent in the formula, up to the maximum age factor of 2.4 percent; AB 1102.
- Members retiring on or after January 1, 1999, allowed to convert their unused sick leave to service credit when retiring, regardless of when they became members; AB 1102.
- Vested members allowed to buy up to five years of additional credit, not associated with any prior service; SB 2126.
- The sunset dates for the class size reduction earnings exemption and for electing Medicare coverage were extended to January 1, 2005; AB 2765.
- SB 1528 authorized the Board to study providing health care benefits to members and families.
- The 100 percent financing Member Home Loan Program was established; SB 1945.
- Option 8 was added to allow for multiple option beneficiaries and existing options were changed; SB 2047.
- Certain members allowed to return to receiving a Member-Only Benefit based on previous option elections; SB 2224.
- Federal legislation implemented premium-free Medicare Part A (Hospital Insurance) for individuals who may qualify under specified conditions as identified by the Social Security Administration; significant for nearly 400 individuals paying premiums in excess of $300 each month.

1999

- The minimum allowance for members, who retired prior to January 1, 2000, with 20 years of service credit, was increased to $15,000 per year, increasing with each year of service credit to $20,000 with 30 years of credited service; SB 713.
- CalSTRS was required to develop a program to provide health care benefits to members and their beneficiaries, children and parents, as specified; SB 159.
- The earnings limit waiver was extended to include all Class-Size Reduction Program teachers; AB 335.
- CalSTRS enacted several reforms to comply with Internal Revenue Code section 415; AB 819.
- California encouraged U.S. Congress and President to exclude state and local employees from mandatory Social Security; AJR 9.
- Elk Hills Naval Petroleum Reserve – $36 million appropriated as the first installment from CalSTRS' share of the proceeds from the sale of the reserve.

2000

- Defined Benefit Supplement Program: Beginning January 1, 2001, through January 1, 2011, 25 percent of a member's DB Program contributions are allocated to the member's DBS Program account. At retirement, the contributions and interest are available to the members as a lump sum or annuity; AB 1509.
- For members retiring on or after January 1, 2001, with 30 or more years of service credit earned by January 1, 2011, CalSTRS began applying a longevity bonus to the monthly allowance; $200/month with 30 years of service; $300/month with 31 years of service; and $400/month with 32 or more years of service; AB 1933.
- Members with 25 or more years of service credit have their benefits calculated on the highest average compensation earnable over a period of 12 consecutive months. For members with fewer than 25 years of service credit, the highest 36 months of compensation earnable continues to be used; AB 821.
- CalSTRS began paying Medicare Part A premiums and any applicable surcharges, for members who retired prior to January 1, 2001, if they did not otherwise qualify for it; SB 1435.
- Members who retire after April 1, 2002, were provided the option to receive a partial lump-sum distribution of their benefit, subject to an actuarial reduction in

the monthly allowance. The amount of the resulting reduction in monthly allowance cannot exceed 15 percent; AB 2456.

- The postretirement earnings limitation increased to $22,000 per fiscal year; AB 1733. Exemptions to the limitation included:
  - » A member who returns to teaching without performing CalSTRS-covered service for at least one year after the retirement date (exemption ends January 1, 2008), AB 1733;
  - » A member who retired prior to July 1, 2001, and returned to teaching to provide remedial education in a grades 2–12 classroom, AB 1736;
  - » A member who returns to teaching to provide direct classroom instruction in a K–12 class or provides support, assesses new teachers in the Beginning Teacher Support and Assessment Program, or provides support to individuals completing student teaching assignments in the Pre-Internship Teaching Program or School Paraprofessional Teacher Training Program (exemption effective July 1, 2000, through July 1, 2005), SB 1666;
  - » A member who returns to perform creditable service in an emergency situation to fill a vacant administrative position (exemption extended until January 1, 2001), AB 141.
- The annual allowance for current benefit recipients was increased 1 to 6 percent (ad hoc increase); AB 429.
- CalSTRS members who become employed by the State and eligible for CalPERS membership permitted to elect to retain CalSTRS membership; AB 649.
- CalPERS members who perform service creditable to CalSTRS permitted to elect to remain in CalPERS; SB 1694.
- A CalSTRS member or nonmember spouse may redeposit a portion of withdrawn contributions; a member may purchase previously excluded service; a retired member with a Member-Only Benefit may name a new spouse; trustees of governing boards may participate in CB Benefit Program; AB 820.
- Eligibility under Public Employees Medical and Hospital Care Act for part-time employees was expanded and CalSTRS must report on a prescription drug and retiree health program; AB 2383.
- All creditable compensation was now creditable to CalSTRS; contributions for service in excess of 1.000 years of service per school year are to be credited to the DBS Program; AB 2700.
- Eligibility for the minimum guaranteed allowance paid to members and beneficiaries was extended in varying amounts according to the member's years of credited service; SB 1505.
- Elk Hills Naval Petroleum Reserve – $36 million appropriated as the second installment from CalSTRS' share of the proceeds from the sale of the reserve.
- Congress provided relief from the Medicare late enrollment penalty for the CalSTRS Medicare Part A Premium Payment Program.

2001

- The level of purchasing power protection was increased to 80 percent; AB 135.
- Members who retire for service, reinstate, and perform creditable service for two years following reinstatement from a prior retirement receive a service retirement allowance by applying the benefit formula in effect at the time of the subsequent retirement to all of the member's service; SB 334.
- The sunset for eligibility of dependent children under Coverage A was eliminated; SB 499.
- Member of the DB Program allowed to elect to receive service credit for time spent in a position subject to coverage by the Cash Balance Benefit Program; SB 499.
- The maximum amount of any loan under the Home Loan Program loan limit increased from $350,000 to 200 percent of the conforming loan limit set by either the Federal National Mortgage Association

or the Federal Home Loan Mortgage Corporation, as specified; SB 499.

- Elk Hills Naval Petroleum Reserve – $36 million appropriated as the third installment from CalSTRS' share of the proceeds from the sale of the reserve.
- Federal legislation increased contribution limits and improves the portability of funds among different types of retirement plans, including 401(k), 403(b) and 457 plans, IRAs and the State Teachers' Retirement Plan; EGTRRA.

2002

- Beginning January 1, 2003, retired DB Program members receiving an allowance under Options 6 or 7 were allowed to name a new option beneficiary after the member's option beneficiary dies; a participant of the CB Benefit Program and member of the DBS Program were allowed to designate a new annuity beneficiary after the designated annuity beneficiary dies, if the participant/member selected a joint and survivor annuity; SB 1983.
- The basis for calculating the post retirement earnings limitation changed from the CCPI to the average compensation earnable of active members. As a result, the limitation for fiscal year 2002–03 was increased to $24,934; SB 1983.
- AB 131 allowed members of government defined benefit programs who retired in 2002 to purchase service credit using rollover funds as allowed under the federal Economic Growth and Tax Relief Reconciliation Act of 2001.
- AB 1122 increased the limits on annual contributions to 401(k), 403(b) and 457 plans; allows individuals to make maximum contributions simultaneously to both 401(k) and 457 plans; increased the defined benefit program limits on contributions for certain service credit purchases, the defined benefit allowance payable at retirement, and the annual compensation limit used by defined benefit plans to determine contributions and benefits.
- SB 1318 allowed a CalSTRS employer to pay all or part of its credentialed employees' member contributions to the DB Program and Defined Benefit Supplement Program.
- The Board extended the eligibility for the payment of Medicare Part A premiums to retired DB Program members who retire prior to January 1, 2006, if they retire from districts that have held, or are in the process of holding, a Medicare Division.
- Contributions will be credited to the member's DBS Program account for service greater than one year and compensation for limited term enhancements and retirement incentives.
- Elk Hills Naval Petroleum Reserve – $36 million appropriated as the fourth installment from CalSTRS' share of the proceeds from the sale of the reserve.

2003

- For purposes of receiving CalSTRS DB Program survivor benefits, the definition of spouse was expanded to include a person who was continuously married to a member for less than 12 months prior to the accidental injury or diagnosis of the illness that resulted in the member's death. Qualified surviving spouses of retired CalSTRS members will be able to receive an ongoing or lump-sum survivor benefit after the death of the member; AB 106.
- Retirement Incentive Programs: The deadline to offer the existing retirement incentive, which provides an additional two years of service credit to DB Program members, was eliminated. A new program ending January 1, 2005, allowed school districts that pay the actuarial cost to provide an additional two years of service credit plus add two years to the age factor that determines the retirement benefit. The additional two years of service credit granted under either retirement incentive program do not count towards qualifying for benefit enhancements, such as one-year final compensation, career factor or longevity bonus, or towards qualifying to receive a retirement benefit; AB 1207.
- Effective January 1, 2005, AB 205 (Goldberg) established spousal rights and obligations for domestic partners registered with the

California Secretary of State; except where prohibited by federal law, all provisions of the Teachers' Retirement Plan applying to spouses also apply to a member or participant's registered domestic partner.

- SB 627 eliminated the 10-year purchase restriction for DB Program members who performed eligible out-of-state service and wish to purchase the full amount of service.
- SB 627 allowed members involved in a legal separation or dissolution of marriage to designate their spouse or former spouse as their sole option beneficiary under Option 8 for a stated percentage and keep a portion of their benefit unmodified.
- SB 627 expanded eligibility for the Medicare Premium Payment Program to include DB members age 65 or older who are receiving a disability payment and who, due to dependent children, do not convert to service retirement.
- Elk Hills Naval Petroleum Reserve – $36 million appropriated as the fifth installment from CalSTRS' share of the proceeds from the sale of the reserve.

2004

- An existing exemption for postretirement earnings was expanded to include DB Program members who return to work in an emergency situation to fill a vacant administrative position; AB 2254.
- The date by which a member must retire to qualify for a postretirement earnings exemption was extended from July 1, 2000, to January 1, 2004, for DB Program members who retire and return to provide direct remedial instruction; AB 2254.
- The date by which a member must retire to qualify for a postretirement earnings exemption was extended from January 1, 2000, to January 1, 2004, for DB Program members who retire and return to provide direct classroom instruction to pupils enrolled in grades K–12; AB 2254.
- The existing K–12 earnings limit exemption was expanded to include members providing instruction in special education and English language learner programs and the sunset date for this exemption was also extended from July 1, 2005, to January 1, 2008; AB 2254.
- AB 1586 permitted recalculation of the benefits paid to part-time and adult education community college employees who were members of the DB Program prior to July 1, 1996.
- Up to two-tenths of one year of sick leave may be used to qualify for one-year final compensation, longevity bonus and the career factor; SB 102.
- Effective July 1, 2005, the criteria for mandatory membership in the DB Program changed for employees at California Community Colleges so that the basis of employment for the school year, as defined by the employer, determines membership; a part-time basis of employment (service for less than 60 percent of the time an employer requires of a full-time position) does not require membership; AB 3076.
- The minimum age requirement for a member of the DB Program who elects to receive a partial lump-sum payment in return for an actuarial reduction in the monthly benefit was eliminated; AB 1852.
- An existing five-year prohibition on employment with the employer that provided a Retirement Incentive was expanded to employees of a county office of education or Community College who receive an additional retirement benefit under the CalSTRS Retirement Incentive Program; AB 1852.
- The one-year prohibition on employment with any California public school employer for K–12 members who receive an additional retirement benefit under the CalSTRS Retirement Incentive Program was eliminated; AB 1852.
- CalSTRS may recalculate benefits paid to part-time and adult education community college employees who were members of the Defined Benefit Program prior to July 1, 1996, when the definitions of "creditable compensation" and "full time" were amended; AB 1586.

- Federal legislation required employers to provide specific information to employees not covered by Social Security (such as employees covered by CalSTRS) on the effects of the Windfall Elimination and Government Offset provisions of the Social Security Act on their potential Social Security benefits; provided additional safeguards for Social Security and Supplemental Security Income beneficiaries with representative payees and enhance program protections; also required employees to work at least 60 months for the participating employer prior to retirement.
- Elk Hills Naval Petroleum Reserve – $36 million appropriated as the sixth installment from CalSTRS' share of the proceeds from the sale of the reserve.

2005

- An elected official who is a member of the DB Program as a result of that employment who is convicted of a felony arising out of his or her official duties will be required to forfeit the retirement benefits that accrue solely as a result of his or her service in office; the elected member will receive only the employee contributions made during his or her term in office. Applies to benefits earned on or after January 1, 2006.
- The one-year waiting period that a member of the DBS Program or CB Benefit Program is required to wait before receiving his or her termination benefit was reduced to six consecutive months; payment of more than one termination benefit under either program during a single five-year period was prohibited.
- Federal bankruptcy reform legislation clarified that the interest of a participant in a defined benefit plan is protected from creditors in the event of a participant's bankruptcy. The protection from creditors includes the participants' interest in the plan, plan loan repayments withheld from the employee's wages and direct trustee-to-trustee transfers and rollovers. Plan loans cannot be discharged in bankruptcy, thus avoiding a deemed taxable distribution to the participant.
- Elk Hills Naval Petroleum Reserve – $36 million appropriated as the seventh installment from CalSTRS' share of the proceeds from the sale of the reserve.

2006

- Dependent children receive a monthly benefit under the Coverage B Survivor Benefit Program when there is no surviving spouse or registered domestic partner at the time of the active member's death. Applies to dependent children who first become eligible on or after January 1, 2007; SB 1465.
- Members of the DB Program may purchase out-of-state permissive service that was performed in a public school outside of California, for service that was not credited to a public retirement system. DB members may also purchase up to two years of permissive service for time spent teaching in the Peace Corps. Applies to applications to purchase service credit submitted on or after January 1, 2007.
- The joint and survivor options and annuities of the DB Program, the DBS Program and the CB Benefit Program were replaced with new options and annuities. The existing Options 2–5 and the single-life annuity without a cash refund were no longer available for new election after January 1, 2007, with some exceptions.
- The Pension Protection Act of 2006 (PPA) allowed for service credit to be purchased for service performed outside of the United States. As a result, subject to legislative authorization, CalSTRS could allow service credit to be purchased for service that has been performed in a school in a foreign country. The PPA also allowed for eligible rollover distributions to Roth IRAs, non-taxable amounts to be paid into qualified plans and direct rollovers to be made to any designated beneficiary. Therefore, CalSTRS will allow any designated beneficiary of a member to make a direct rollover of eligible payments, including registered domestic partners, which were previously prohibited from making direct rollovers.
- Elk Hills Naval Petroleum Reserve – $48 million paid as the eighth installment

from CalSTRS' share of the proceeds from the sale of the reserve.

2007

- Members applying for disability benefits, who are eligible to retire for service, may submit a new Service Retirement Pending Disability Application and receive a service retirement allowance pending determination of their disability claim. Applies to Service Retirement Pending Disability Applications submitted on or after January 1, 2008; AB 1316.
- Members of the DB Program may purchase service credit for service performed in a foreign, publicly-funded educational institution. Applies to applications to purchase service credit submitted on or after January 1, 2008; AB 1432.
- Any beneficiary may roll-over a benefit distribution (previously, only beneficiaries who were spouses could do so). Applies to requests to roll over a benefit distribution submitted on or after January 1, 2008; AB 1432.

2008

- CalSTRS was authorized to offer a Roth IRA as part of its Pension2® Program; AB 1480.
- CalSTRS was required to use only medical information when making a disability retirement decision; AB 2023.
- The ability of the State Controller's Office to purchase annuity contracts on behalf of certain state employees was deleted, and CalSTRS 403(b) programs were extended to those state employees; AB 2191.
- The sunset date on the postretirement earnings limit exemptions were extended until June 30, 2010; certain exemptions were extended to members who retired for service on or before January 1, 2007; and members retired between June 1, 2007, and December 31, 2007, were permitted to purchase foreign service credit; AB 2390.
- SBMA purchasing power benefit increased from 80 percent to 85 percent of the benefit's original value and the authority of the Board to promulgate regulations to enable the Board to adjust the supplemental benefit, within a range of 80 to 85 percent, established to maintain the ability of the Board to make the payments; AB 1389.

2009

- Federal law prohibits pension plans from distributing benefits before either the normal retirement age or a separation from service. In order to ensure that separation from service has occurred, retired members who are under the normal retirement age of 60 will have their CalSTRS retirement benefit reduced by the amount earned in CalSTRS-covered employment for six calendar months immediately following their retirement effective date or until their 60th birthday, whichever is sooner. The requirement for this deduction begins July 1, 2010, regardless of retirement effective date. There are no exemptions from this requirement. In addition, legislation extends the sunset dates for the postretirement earnings limit exemptions to June 30, 2012, and expands eligibility, where applicable, to members who retired on or before January 1, 2009. This bill was sponsored by CalSTRS; AB 506.

2010

- Since January 1, 2001, 25 percent of a member's DB Program contributions had been allocated to the member's DBS Program account. That diversion sunsetted at the end of 2010, and as of January 1, 2011, all 8 percent of a member's contributions are allocated to the DB Program.
- The end of 2010 also signaled the deadline for earning 30 or more years of service credit toward the longevity bonus. If a member earned the required amount of service credit before January 1, 2011, a longevity bonus will be applied to the monthly allowance as long as the member retires after January 1, 2001.
- A congressional appropriation for the remaining $17 million in proceeds owed to CalSTRS from the sale of the Elk Hills Naval Petroleum Reserve was delayed until litigation between the formal owner and the U.S. Department of Energy is settled.

General Fund Contributions

The State General Fund has contributed money to CalSTRS since the Plan's inception in 1913. Until 1972, contributions by the State were made on a pay-as-you-go basis. In 1972, as part of a major reform of the Plan, legislation changed the funding of CalSTRS to pre-fund the plan liabilities. Legislation was passed again in 1990 and in 2008 to further solidify the funding from the State General Fund.

In 2010–11, the State General Fund contribution is 2.017 percent of the total creditable compensation upon which member's contributions are based from two fiscal years ago. An additional General Fund contribution is required if there is an unfunded liability or a normal cost deficit associated with the benefits provided in the DB Program as of July 1, 1990. The initial increase in the contribution rate would be 0.524 percent of total creditable compensation from two fiscal years ago. The rate may increase as required, but by no more than 0.25 percent each year, to a maximum of 1.505 percent. At any time when there is neither an unfunded obligation nor a normal cost deficit, the percentage shall be reduced to zero.

The General Fund also provides a contribution that is used to fund the Supplemental Benefit Maintenance Account (SBMA), which provides supplemental payments to members when the purchasing power of their benefits falls below 85 percent of the purchasing power of their initial benefits. The contribution is 2.5 percent of total creditable compensation from two fiscal years ago adjusted by a dollar value specified in statute.

CalSTRS reports total creditable compensation annually in October to the Director of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Legislative Analyst to use in planning the next year's State Budget. If any revision to this calculation is needed, CalSTRS has until April 15th to report the revision to the above parties. Prior to May 1st, CalSTRS must report the calculation to the State Controller's Office with a requested schedule of transfers to be made in accordance with the Teachers' Retirement Law.

Significant points of interest in the history of CalSTRS General Fund contributions include:

- The 1972 E. Richard Barnes Act radically changed the funding of CalSTRS to long-range reserve funding (pre-funded basis). The state's pay-as-you-go contribution was replaced with a level $130 million per year for 30 years. In addition, $5 million per year was included in the appropriation to repay the CalSTRS reserve for a shortage in 1971–1972.
- In 1976, another $9.3 million was added to the $135 million to total a $144.3 million annual appropriation.
- In 1979, AB 8 (Greene) changed the limited term $144.3 million annual appropriation to a perpetual appropriation, which was to increase or decrease cumulatively beginning in 1980–81 by an amount reflecting the change in the All Urban California Consumer Price Index (CCPI) in the preceding fiscal year.
- In 1989, SB 1407 (Green) and SB 1513 (Campbell) established a funding stream from the General Fund equal to 2.5 percent of prior year teacher payroll to provide for supplemental payments to maintain 68.2 percent of the purchasing power of allowances.
- Also in 1989, CalSTRS' consulting actuary recommended the Board support legislation to change the indexing from CCPI to a percentage rate of prior year teacher payroll to fund the unfunded actuarial obligation. After much negotiation, in 1990, SB 1370 (Green) set the General Fund contributions at 4.3 percent of prior year teachers' payroll in order to fund the normal cost deficit. Normal cost deficit means the difference between the normal cost rate as determined in the actuarial valuation and the total of the member and employer contribution rate excluding the 0.25 percent used to fund unused sick leave service credit.
- In 1998, the CalSTRS actuary completed the actuarial valuation of the DB and determined the fund assets represented

97 percent of its obligations. As a result of this finding, an opportunity existed to use the General Fund money that had been appropriated to the DB for purposes of retiring the unfunded liability for improved benefits. Therefore, AB 2804 was enacted, which reduced the General Fund contribution to an amount equal to 3.102 percent to fund increased benefits, while allowing for an additional transfer of 0.524 percent of teachers' payroll if the unfunded liability should return. The percentage would increase by 0.25 percent of teachers' payroll each year, not to exceed 1.505 percent.

- In 2000, several additional benefit enhancements were added. The General Fund contribution percentage was reduced to 2.5385 percent of creditable compensation in 2000–2001 and 1.975 percent of creditable compensation in 2001–2002. From 1990 until the practice changed in 2002–2003, the General Fund contribution had been based on the prior calendar year's creditable compensation. Beginning with the 2003–2004 fiscal year, the rate was set at 2.017 percent of total creditable compensation of the fiscal year ending in the prior calendar year.
- In 2003, SBX1 20 (Committee on Budget and Fiscal Review) decreased the General Fund contributions to SBMA by $500 million for the 2003–2004 fiscal year.
- In 2005, the Teachers' Retirement Board filed a lawsuit against the State to recoup the $500 million plus lost interest. The Sacramento County Superior Court ruled in CalSTRS' favor on May 4, 2005. However, the State appealed the decision.
- In 2007, CalSTRS was again successful in its litigation, and the State repaid the $500 million on September 6, 2007. However, the issue of the lost interest was still outstanding.
- In 2008, AB 1389 (Committee on Budget), which among other things, reduced the SBMA contributions used for sustaining the purchasing power of allowance by a flat amount each year. (It also increased the purchasing power rate from 80 percent to 85 percent, while establishing the authority of the Board to adjust within the 80 to 85 percent range.) It also changed the state's obligation to pay the SBMA contributions from annually on July 1st to two payments annually on November 1st and April 1st. It also established a four year appropriation to repay the actuarial equivalent of the lost interest due to the deferment of the $500 million in 2003–2004. The annual appropriation is $56,979,949 beginning in 2009–2010 through 2012–13.
- In 2010, two bills by the Assembly Budget Committee (ABX8 5 and AB 1624) revised the timing of transfers from the General Fund to the Teachers' Retirement Fund and the Supplemental Benefit Maintenance Account. The payments to the Teachers' Retirement Fund are to be made on, or the business day following, July 1st, October 1st, December 15th, and April 15th of each fiscal year. The transfers to the SBMA are to be made on October 15th and April 15th of each fiscal year, except for 2010–11 when they are to be made on November 15, 2010, and March 14, 2011.
- Also in 2010, the Teachers' Retirement Board sought an external legal opinion to decipher who bears the legal responsibility to fully fund the System. It was determined that the State is responsible for fully funding the benefits promised to CalSTRS members and their beneficiaries.

Supplemental Payments

Supplemental Payments

Purchasing Power

Inflation can significantly deteriorate a person's ability to maintain a consistent standard of living after retirement. Inflation is generally measured by changes in the average prices of selected goods and services. As inflation rises, the value of money decreases because it purchases fewer goods and services. A decline in the purchasing power of money is another way to define inflation.

The higher the rate of inflation, the greater the drop in the purchasing power of money. For example, if wages remain the same but prices double, the current purchasing power of wages is only 50 percent of the purchasing power of those same wages prior to the price increases. In this situation, wages must double to maintain the same purchasing power.

The California State Teachers' Retirement System measures the purchasing power level of allowances by the change in the All Urban California Consumer Price Index (CCPI) published by the Department of Industrial Relations, Bureau of Labor Statistics. The cumulative change in the CCPI from each year in which benefits have become effective since 1955 is displayed in the table on page 46.

2% Simple Benefit Adjustment

The CalSTRS Defined Benefit Program provides an automatic 2 percent simple benefit adjustment to allowances payable to all benefit recipients to provide some protection against the effects of inflation. This annual "benefit improvement factor," also known as a cost-of-living adjustment or COLA, is applied September 1 of each year following the first anniversary of the effective date of the benefit.

There are two other sources of funds that provide additional purchasing power protection for CalSTRS benefit recipients through "supplemental payments." They are 1) School Lands Revenue and 2) the Supplemental Benefit Maintenance Account (SBMA). Supplemental payments begin automatically once a retired member's benefit qualifies and are issued from these funds on October 1, January 1, April 1, and July 1. It is important to remember that these payments are not guaranteed and will continue only as long as funds are available.

Periods of low inflation can occur and lower the quarterly supplemental payment amount. For example, prices generally declined during the 2008–09 fiscal year, and together with the 2 percent annual benefit adjustment, more retirement benefits were kept at or above 85 percent of their initial value. As a result, quarterly supplemental payments for the 2009–10 fiscal year were reduced or eliminated. Future increases in inflation could increase quarterly supplemental payments, and future decreases in inflation could decrease or eliminate quarterly supplemental payments.

School Lands Revenue

Since 1983, it had been the intent of the Legislature and the Teachers' Retirement Board to maintain the level of purchasing power of CalSTRS allowances to a minimum of 75 percent of the purchasing power of the initial allowance. To fulfill this intention, revenue generated from the use of State School Lands (land granted to California by the federal government to support schools) and Lieu Lands (properties purchased with the proceeds from the sale of school lands) during the prior year is transferred to CalSTRS each year for the purpose of providing annual supplemental payments in quarterly installments. Chapter 840, Statutes of 2001, increased the payment to provide for up to 80 percent purchasing power. The School Lands Revenue only covers payments that maintain up to 80 percent purchasing power. Payments to maintain higher than 80 percent purchasing power come from the SBMA.

This revenue is distributed on a pro-rata basis to all benefit recipients whose initial allowances have fallen below the 80 percent purchasing power level. Because the revenue from School Lands does not generate enough income to bring the purchasing power of all allowances to at least 80 percent, the available revenue is distributed on a proportional basis to all eligible benefit recipients. The amount of the School Lands payment for each benefit recipient depends on the:

1. Amount of money available from School Lands that year;
2. Number of benefit recipients whose allowance purchasing power is below 80 percent; and
3. Increase in the CCPI.

For example, if School Lands revenue is only sufficient to provide 5 percent of the amount needed to bring all allowances up to a minimum of 80 percent of the purchasing power of the initial allowance, each eligible benefit recipient will receive from School Lands revenue 5 percent of the amount needed to restore their purchasing power to 80 percent.

In 2010–11, School Lands revenue provides only 1.11 percent of the amount needed to restore the purchasing power of allowances payable to all benefit recipients to a minimum of 80 percent. Therefore, each eligible benefit recipient receives a supplemental payment paid from School Lands revenue equal to 1.11 percent of the amount necessary to raise the purchasing power of the allowance to 80 percent.

Since School Lands revenue for 2009–10 is not sufficient to raise the purchasing power of each CalSTRS allowance to a minimum of 80 percent of the purchasing power of the initial allowance, the SBMA is used to make up the difference.

Supplemental Benefit Maintenance Account

Chapter 751, Statues of 2008, increased the Supplemental Benefit Maintenance Account to up to 85 percent of the purchasing power of the initial monthly allowance. The legislation authorized the Teachers' Retirement Board to adjust the purchasing power protection payments between no less than 80 percent and no more than 85 percent, based on actuarial projections. An amount equal to 2.5 percent of CalSTRS' member payroll for the prior fiscal year (ending in the calendar year immediately preceding) is contributed from the State of California General Fund to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund on July 1 of each fiscal year. Beginning with the 2008–09 fiscal year, the appropriation would be reduced in accordance with the below schedule, and contributions would be made on November 15 and March 15 of Fiscal Year 2010–11, with each contribution equal to one half of the amount appropriated.

2008–09	$66,386,000
2009–10	$70,000,000
2010–11	$71,000,000
2011–12 and each fiscal year thereafter	$72,000,000

The SBMA provides annual supplemental payments in quarterly installments to all benefit recipients whose purchasing power has fallen below 85 percent of the purchasing power of the initial allowance, after application of the School Lands monies, as long as funds are available.

Both the School Lands revenue and SBMA provide authority to make supplemental payments sufficient to bring purchasing power up to 85 percent of the purchasing power of the original allowance. Since 2001, funding from the General Fund has been a contractually enforceable obligation of the state. However, Chapter 6, Statues of 2003, reduced the General Fund contribution for 2003–2004 by $500 million. The Teachers' Retirement Board successfully pursued litigation to compel payment of the $500 million plus interest. A $500 million payment consisting of the interest owed to date and partial payment of the principal was received September 6, 2007. Chapter 751, Statutes of 2008, also appropriated $56,979,949 annually to pay the remaining principal and interest of the original $500 million, to be contributed to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund on or after July 1 in each fiscal year starting with fiscal year 2009–10 and ending with fiscal year 2012–13. The 85 percent level of supplemental payments, however, is not vested. This means that if the combined funding from both sources is not sufficient to bring purchasing power up to the 85 percent level, supplemental payments may have to be paid at a lower level. However, based upon our assumptions, the funding for an 85 percent supplemental payment is sufficient for well in excess of 30 years.

The amount of the supplemental payment from SBMA for each benefit recipient depends on: (1) the extent to which the benefit recipient's allowance has fallen below 85 percent of the purchasing power of the initial allowance; and (2) the amount of the supplemental payment provided from School Lands Revenue.

Estimation of Supplemental Payments

A benefit recipient can estimate his or her supplemental payments. It is first necessary to calculate the purchasing power of the current CalSTRS allowance. This is accomplished by using the following information:

Benefit Effective Date (identified by "Initial Date/Allow" on the Direct Deposit Advice/Check stub just below the Client ID)

Initial Allowance (identified by "Initial Date/Allow" on the Direct Deposit Advice/Check stub just below the Client ID)

Current Allowance (the sum of your Normal Allowance and COLA on the Direct Deposit Advice/Check stub*),

And

Change in the California Consumer Price Index is determined by dividing the CCPI for June of 2010 by the CCPI for June of the calendar year of retirement. The chart on the following page provides the result of this division for each calendar year of retirement.

*Due to legislative constraints, not all cost-of-living and minimum guarantee increases are used when determining the current allowance to be used in calculating the supplemental benefit. The current allowance shown on a benefit recipient's warrant stub/deposit advice is for estimation purposes only.

Purchasing Power Percentage of the Current Allowance – Example

The example will use the following data to calculate the current purchasing power percentage:

Initial Allowance:__________________$1,000

Benefit Effective Date:______________July 1, 1988

Current Allowance:________________1,380

Purchasing Power Factor:___________1.866

In this example, the benefit effective year is 1988, and the corresponding Purchasing Power Factor is 1.866. (Change in CCPI is determined by dividing the CCPI for June of 2010 by the CCPI for June of the calendar year of retirement, in this example, 1988.)

The purchasing power of the current allowance is determined as follows:

1. Obtain the Purchasing Power Factor for the benefit effective year: 1.866
2. Multiply the initial allowance by the Purchasing Power Factor to obtain the Fully Adjusted Allowance. This is what the current allowance amount would be if it had been adjusted to keep pace with inflation since the Benefit Effective Date.

   $1,000 x 1.866 = $1,866.00
3. Divide the Current Allowance by the Fully Adjusted Allowance to calculate the Current Purchasing Power Percentage.

   $1,380.00 / $1,866.00 = 73.95%

Note: If the Current Purchasing Power Allowance percentage is greater than 85 percent, no supplemental payments will be paid.

Total Quarterly Supplemental Payment

The total supplemental payment is determined as follows:

1. Multiply the fully Adjusted Allowance by 0.85 to determine the 85 percent Purchasing Power Amount.

   $1,866.00 x 0.85 = $1,586.10
2. Subtract the Current Allowance from the 85 percent Purchasing Power Amount to determine the Supplemental Payment Monthly Amount, the monthly payment amount that would be needed to restore the purchasing power allowance to the 85 percent level.

   $1,586.10 – $1,380.00 = $206.10
3. Multiply Supplemental Payment Monthly Amount by three (3) months to determine the Total Quarterly Supplemental Payment.

   $206.10 x 3 = $618.30

For this example, $618.30 would be the Quarterly Supplemental payment that would be paid on October 1, 2010; January 1, 2011; April 1, 2011; and July 1, 2011

Factors for Calculating 2010–11 Purchasing Power

Year	June CCPI	Purchasing Power Factor*
1955	25.7	8.837
1956	26.2	8.668
1957	27.1	8.381
1958	28.1	8.082
1959	28.5	7.969
1960	29.1	7.805
1961	29.5	7.699
1962	30.0	7.570
1963	30.2	7.520
1964	30.8	7.374
1965	31.6	7.187
1966	32.1	7.075
1967	32.9	6.903
1968	34.3	6.621
1969	36.0	6.309
1970	37.9	5.992
1971	39.4	5.764
1972	40.5	5.608
1973	42.7	5.319
1974	47.1	4.822
1975	52.0	4.368
1976	55.2	4.114
1977	59.5	3.817
1978	64.6	3.516
1979	71.0	3.199
1980	83.3	2.726
1981	90.1	2.521
1982	98.5	2.306
1983	99.1	2.292
1984	103.6	2.192
1985	108.4	2.095
1986	112.2	2.024
1987	116.3	1.953
1988	121.7	1.866
1989	128.2	1.772
1990	134.3	1.691
1991	140.1	1.621
1992	145.2	1.564
1993	148.9	1.525
1994	150.7	1.507
1995	154.2	1.473
1996	156.6	1.450
1997	160.0	1.419
1998	163.6	1.388
1999	167.8	1.353
2000	174.0	1.305
2001	183.2	1.240
2002	185.9	1.222
2003	189.9	1.196
2004	195.8	1.160
2005	201.3	1.128
2006	210.9	1.077
2007	217.4	1.045
2008	228.324	0.995
2009	224.994	1.009
2010	227.113	1.000

* The Purchasing Power Factor is obtained by dividing the CCPI for June of 2010 by the CCPI for June of the calendar year of retirement.

Estimation Worksheet – Quarterly Payments

Current Allowance Purchasing Power Percentage

1.

________________	x	________________	=	________________
Initial Allowance Monthly Amount		Purchasing Power Factor for the Benefit Effective Year		Fully Adjusted Allowance (a)

2.

________________	÷	________________	=	________________
Current Allowance Monthly Amount		Fully Adjusted Allowance (a)		Current Purchasing Power Percentage (Must be less than 85% to proceed)

Total Supplemental Payment

1.

________________	x	.85	=	________________
Fully Adjusted Allowance (a)		Purchasing Power Percentage		85% Purchasing Power Amount (b)

2.

________________	–	________________	=	________________
85% PurchasingAmount Power Amount (b)		Current Allowance Monthly Amount		Supplemental Payment Monthly Amount (c)

1.

________________	x	3	=	________________
Supplemental Payment Monthly Amount (c)		Number of months in a quarter of a year		Total Quarterly Supplemental Payment

Status of the School Land Bank Fund

(Prepared by State Lands Commission staff in January 2003, updated December 2010)

Background

Upon achieving statehood, the federal government granted approximately 5.5 million acres of land to California to be used for the support of schools. This land consisted of the sixteenth and thirty-sixth sections of each township. Approximately 90 percent of the school lands were sold prior to the creation of the State Lands Commission (SLC) in 1938. Proceeds were deposited into the General Fund to pay for public education. In 1984, the California Legislature directed school lands be retained and managed by the SLC to generate revenue to provide cost-of-living adjustments for retired teachers.

The 1,188 fee-owned parcels of school lands are difficult to manage because they are noncontiguous and are scattered throughout the state. Most are located in remote and rugged regions of the southern California desert. The Legislature found the "consolidation of school land parcels into contiguous holdings is essential to sound and effective management" (section 8702 of the Public Resources Code). Consequently, the Legislature authorized the SLC to exchange or sell the isolated, non-economic school lands and use the funds from the transactions to purchase real property that will generate additional revenues to benefit California's retired teachers. Proceeds from sales are required to be held in trust by the Commission for the teachers and are deposited in the School Land Bank Fund (SLBF).

California Desert Protection Act of 1994

On October 31, 1994, the California Desert Protection Act (CDPA) was signed into law by the President of the United States (Public Law 103–433). The CDPA designated 3.6 million acres in southern California as wilderness to be administered primarily by the Bureau of Land Management, and designated an additional 4 million acres in southern California for inclusion in the national park system.

The purpose of the CDPA is to set aside areas in the California desert to protect its natural, cultural, scenic, and historical values and to provide for public enjoyment. Four hundred forty-two parcels (approximately 251,000 acres) of school lands and more than 100 parcels encumbered by the State's reservation of mineral interests were identified within the boundaries of the CDPA.

Section 707 of the CDPA provides for the exchange of school lands in holdings within these designated areas for other federal lands. The SLC receives compensation for the exchange of its fee and mineral interests on a value-for-value basis determined by fair market appraisals. Compensation for the State's assets may be made in various forms, including cash or exchange for other lands.

To date, there have been five CDPA land exchange transactions completed between the SLC and the BLM. The five transactions have resulted in the sale or exchange of approximately 66,275 acres of school lands and have generated over $14.7 million for the SLBF.

There is another transaction currently in progress that is anticipated to generate substantial revenue for the SLBF. The completion of this transaction will leave 219 parcels of school lands within the designated national parks, monuments, preserves, and wilderness areas available to exchange with the BLM.

School Land Bank Fund Balance

The SLBF has accumulated over $61 million. With the Budget Act of 2008 (as amended by Chapter 2 Statutes of 2009 Third Extraordinary Session), the Legislature authorized a loan from the SLBF to the General Fund of $59 million. The loan is scheduled to be re-paid by June 30, 2013. In the interim, the loan accrues interest to the SLBF based on the interest rate of the Pooled Money Investment account. The Commission staff anticipates receiving requests for land exchanges and land sales throughout the year, including CDPA land transactions resulting in additional growth of the SLBF.

School Land Bank Fund Investment Activities

With the enactment of the School Land Bank Fund Act of 1984, the Commission was given the authority, as trustee for the SLBF, to select and acquire real property or any interest in real property using funds contained in the SLBF with the objective of facilitating management of school lands for the purpose of generating revenue. To accomplish this objective, the Commission has contracted with consultants to review and analyze potential investment alternatives for the SLBF monies. Among the investment areas being explored are various agricultural property investments, ground leasing two school land parcels in Barstow for commercial development and other ground leasing possibilities throughout California. In addition, other real estate investment alternatives will continue to be considered as possible investment avenues for SLBF monies.

Sale of Elk Hills Naval Petroleum Reserve

Description

The Elk Hills Naval Petroleum Reserve is comprised of school lands granted by the Federal Government when California entered the Union in 1850:

- One of three naval petroleum reserves set up by the Government before World War 1;
- Sits on 47,000 acres located 28 miles west of Bakersfield, California;
- Produces 60,000 barrels of oil and 390 million cubic feet of natural gas each day;
- Holds 600 million barrels of oil and 1.9 trillion cubic feet of natural gas in reserve;
- Chapter 68, Statutes of 1996 (SJR 27—Costa) memorialized the President and Congress to sell the Elk Hills Naval Petroleum Reserve Number 1 while recognizing California's valid claim to two school land sections within the Reserve and compensate the State's retired teachers for their interest.

CalSTRS' Interest in Elk Hills

- The State of California and federal government had 78 percent interest in this reserve (school lands), with the remaining 22 percent of Elk Hills owned by Chevron Corporation in San Francisco.
- CalSTRS sold its 9 percent interest of the net proceeds to benefit California's retired teachers.

Terms of the Sale

Occidental Petroleum purchased the Reserve October 6, 1997, for $3.65 billion (all-cash). Occidental sold its interest in MidCon for $3 billion, of which $2 billion funded the Elk Hills acquisition. Expenses of the sale are estimated at $50 million; the deadline for the close of the sale was February 10, 1998, as mandated. A settlement agreement was reached between California, the U.S. Department of Energy and Occidental Petroleum to ensure the State's interests are properly protected in the event Congress fails to appropriate all installments due to the State, which would result in the State renouncing its 9 percent settlement with DOE and suing Occidental Petroleum for the State's claim.

This agreement was subject to the following:

- A Justice Department antitrust review;
- Completion of the environmental impact assessment process;
- A 31-day Congressional review period.

Under the settlement agreement, the State should receive approximately $324 million for the TRF in seven annual installments, in each of the Federal Government's fiscal years, under the terms of the settlement between the State and DOE. Each installment is due by the 180th day of the fiscal year or 60 days after the funds are appropriated by Congress and become available.

Fiscal Year	Amount
1999	$36 million (paid)
2000	$36 million (paid)
2001	$36 million (paid)
2002	$36 million (paid)
2003	$36 million (paid)
2004	$72 million (paid $36 million)
2005	$72 million (paid $36 million)
2006	$47.52 million (paid)

The $324 million has been set-aside in an escrow account for California as Congress directed.
In 2005, an adjustment was made in the Elk Hills sales price to give, in effect, the purchaser the benefit of the oil production from the field during the interim period when the sale was being closed. This sales price reduction has the effect of reducing CalSTRS 9 percent share from $324 million to $318 million.

CalSTRS role is to:

- Ensure these appropriations for the settlement payments are included in the President's budget, which he submits to Congress in January of each year prior to the year the payments are due (the Secretary of Energy is contractually obligated to request this from the President);

And

- Pursue efforts to gain attention from members of the House Appropriations

Committee to push strongly to ensure that the appropriation for the annual installments of the State's compensation claim moves through the House and Senate.

Benefits to Retired Teachers

As directed by the California Legislature, school lands revenue supports "purchasing power" protection for retired teachers. The increase in school land revenue attributable to the sale of the reserve permitted an increase in purchasing power protection. This increase was authorized in Chapter 939, Statutes of 1997 (SB 1026—Schiff), which provides purchasing power protection of up to 75 percent of a retired member's purchasing power from the 2.5 percent annual General Fund contribution. Purchasing power protection was again increased to 80 percent with the enactment of Chapter 840, Statutes of 2001 (AB 135—Havice). Chapter 751, Statutes of 2008 (AB 1389—Budget), in turn, increased purchasing power to 85 percent and gave the Teachers' Retirement Board the authority to adjust the rate within a range of 80 to 85 percent.

Current Status of Sale Proceeds

The federal government collected the $3.65 billion sales proceeds from Occidental Petroleum and saved approximately $84 million (direct operational savings evaporated from the budget baseline) in fiscal year 1999. The Defense Authorization Act requires 9 percent of the sales proceeds be held in an escrow account for use in paying the State's claim. However, from Congress' standpoint, the compensation payment is being treated as a new spending program that must compete for funds along with other existing programs. Through the 2007 federal fiscal year, $300 million has been paid. As of December 2007, payment of the last piece of Elk Hills compensation has been held-up while the federal government works to finalize its split of equity ownership with Chevron Texaco (formerly Chevron Corporation). CalSTRS maintains it is due at least $9.71 million from the 2007 fiscal year. This process has been further delayed by a lawsuit between these two entities. Congress has not appropriated any funds for the 2007, 2008, 2009, or 2010 fiscal years. This leaves approximately $18 million of the approximately $318 million remaining to be paid in future years.

Deferred Compensation

403bCompare

Description

Chapter 1095, Statutes of 2002 (Assembly Bill 2506 – Steinberg), requires CalSTRS to create and maintain a comprehensive, impartial online information bank consisting of vendors who offer the investment products described under Section 403(b) of the Internal Revenue Code. The Web site information bank, www.403bCompare.com, enables all employees of California's local school districts, community college districts, county offices of education, and state employees of a state employer under the uniform state payroll system, excluding the California State University System, eligible to participate in an annuity contract and custodial account as described in Section 403(b) of the Internal Revenue Code of 1986 to search and compare the products of registered 403(b) vendors.

Online Information Bank

www.403bCompare.com provides information on available investment options, product performance, participant fees, vendor experience, services offered by the vendors, and educational content to help school employees to understand investment product features and retirement planning principles. Vendors included in the information bank are public retirement systems, broker-dealers, registered investment companies, nonbank custodians, and life insurance companies qualified to do business and offer 403(b) products in California.

Registered Vendors

Vendors wishing to sell 403(b) products to employees of school districts, county offices of education, or community colleges must register in the 403bCompare Program during the annual registration period. All administrative costs associated with registration and maintenance of individual vendor information is paid by the vendor. The Teachers' Retirement Board is not liable for the information contained in the bank or the actions of those vendors registered with the bank. As of January 1, 2010, there are 67 vendors registered on 403bCompare.

Services and Features

For Employees

School employees accessing the 403bCompare Web site have access to the following services and features:

Education – Learn about 403(b) investing, including planning for retirement, product types, performance and fees, and their impact on the investment;

My Employer – Select their employer from the list of participating employers and view the list of vendors authorized by their employer;

Search and Compare – View and compare fees and features associated with multiple 403(b) products offered by the same or different vendors; and

Salary Reduction Agreement – Download the SRA for their employer.

For Employers

Employers interested in participating in the 403bCompare Program can establish and maintain the following through the www.403bCompare.com Web site:

Employer Vendor List – Designate and update their approved 403(b) vendors, which allows employees to see the list of vendors authorized by the employer; and

Salary Reduction Agreement – Upload links to the SRAs used by their employees, which reduces the workload for the personnel office.

CalSTRS Pension2®

Plan Description

Effective November 1, 2007, CalSTRS Voluntary Investment Program was replaced with a new, more comprehensive program re-named CalSTRS Pension2®. The name change reflects the intended integration of CalSTRS' core pension programs with CalSTRS' supplemental savings programs. The supplemental savings programs, the 403(b), 457(b), and Roth 403(b), will complement Pension1, which includes CalSTRS Defined Benefit, Defined Benefit Supplement, and Cash Balance Benefit programs, to provide participants with a secure financial future.

The comprehensive program involved a complete overhaul of the fund line up, fee structure and a change in record keepers from CitiStreet to TIAA-CREF. TIAA-CREF is a private organization with a nonprofit heritage and has over 90 years of experience serving defined contribution plans.

In addition to providing participants the opportunity to invest in each of these defined contribution plans, Pension2® also provides advisor services that utilize the Ibbotson Associates model at no additional charge to Pension2® participants. Participants can speak to a registered financial advisor to determine the appropriate investment strategies to achieve their retirement goals.

The maximum yearly contribution allowed in a 403(b) and 457(b) is dependent on the age of the participant. The contribution limit for the 2010 calendar year for participants under age 50 is $16,500, and the limit for a participant age 50 or older is $22,000.

Investment Choices

CalSTRS Pension2® offers 22 core funds, selected by CalSTRS in consultation with its financial consultant, which allows participants to select a well diversified portfolio from a pre-selected list of funds, including those shown below:

- TIAA Traditional Account
- TIAA Real Estate Account
- TIAA-CREF Money Market Mutual Fund
- Vanguard Short Term Bond Index Fund Admiral
- Vanguard Inflation Protected Securities
- Vanguard Institutional Index Fund
- Vanguard Total Stock Index Fund
- Dodge & Cox Stock Fund
- Dodge & Cox International Fund
- American Funds Growth Fund of America
- Vanguard Small Cap Index
- DFA Global Equity
- DFA Emerging Markets
- Artisan International Fund

In addition to the core investment choices, Pension2® also includes portfolios that are allocated to reflect different target retirement dates and risk tolerances. These portfolios use the Pension2® core funds and also were designed by CalSTRS Investment staff working with CalSTRS financial planning consultants. With these portfolios, participants can make a simple investment decision by answering two questions:

1. When they intend to retire and
2. What is the risk tolerance they are most comfortable with (aggressive, moderate, or conservative investment portfolio).

The specific portfolios reflect target retirement dates of 2020, 2030, 2040, and 2050, as well as a portfolio for those already retired. (Although retired educators may not make additional contributions to a 403(b) plan, unless they are working in the schools, they can rollover existing 403(b) funds into Pension2®.)

These portfolios appear to be the first instance in the industry in which a single investment choice reflects not only a target retirement date, but also different risk tolerances.

CalSTRS 403bComply

In 2004, the Internal Revenue Service issued draft 403(b) regulations with an original effective date of January 2008. The regulations were finalized on July 26, 2007, with an effective date of January 1, 2009.

CalSTRS anticipated the burden the regulations would place on employers and was approached by employers who asked for assistance from CalSTRS with compliance with those regulations. CalSTRS ability to provide that assistance was established with the passing of AB 2462 in 2006, authorizing CalSTRS to become a third party administrator of deferred compensation programs.

CalSTRS entrance into the compliance business was two fold:

1. Provide low cost compliance services to all California school districts (especially small districts) and
2. Provide an alternative to the existing compliance services offered in California.

Many firms were offering "free" compliance and administration services in exchange for exclusive access to the employees to sell 403(b) and/or 457 investment products and using the fees from those investment products to offset the compliance costs. In other cases, the third party administrator sells other high-priced, financial products to employees, and the profits offset the costs of the plan compliance. There is also the case of the "free" compliance being offered and the firm holding the contributions over a number of days to obtain the "float." CalSTRS wanted to offer a conflict-free compliance program that is best for employers and school employees.

In August 2007, CalSTRS 403bComply became operational. It is a low-cost, high-quality compliance and administration service for defined contribution plans. CalSTRS 403bComply has partnered with JEM Resource Partners to provide the following services:

- No conflicts of interest – JEM does not have any sales representatives or sell 403(b) products and is a fee-based TPA that is never compensated by insurance or mutual fund companies,
- Online salary reduction agreements and changes,
- Online screening of vendors and products,
- Online access for employees to conduct all transactions and view their accounts,
- Online access for employers,
- Full support of documents and Plan compliance,
- Secure data,
- Streamlined processing, and
- Full compliance with State 403(b) rules.

Unlike other entities offering compliance and administration services in return for preferential access to sell other products, CalSTRS does not require a district to participate in CalSTRS' Pension2® program as a condition of providing compliance services. CalSTRS 403bComply charges a modest fee, which is $2.00 a month, for each active participant. The cost can be paid by the employer, employee, or a combination of both. As of January 1, 2010, there are approximately 145 employers that have adopted the CalSTRS 403bComply program.

Actuarial Principles and the Valuation Process

Actuarial Principles and the Valuation Process

CalSTRS has its consulting actuary prepare an annual actuarial valuation of the Defined Benefit Program as of June 30. The Cash Balance Benefit Program has been subject to an annual actuarial valuation since June 30, 1997. Since June 30, 2002, the Defined Benefit Supplement Program is also subject to an annual valuation.

Since actuarial results and valuation reports are generally not well understood, the intent of this discussion is to try to make the process and the results more meaningful and useful. While most of the discussion will focus on the much larger DB Program, these issues and concepts are generally equally applicable to both the CB Benefit Program and the DBS Program.

Actuarial Liabilities

Actuarial liabilities are created by a promise to pay a specified benefit if certain events occur or certain conditions are met. Actuarial liabilities are not the same thing as accounting liabilities. For an accounting liability, the only question is generally "when." For an actuarial liability, the question is not only "when," but also "if," and "how much." Therefore, actuarial liabilities are said to be "contingent." This means they are dependent upon one of several possible events occurring.

To evaluate the potential actuarial liabilities, the actuary must make three estimates:

- If a benefit will begin;
- When that benefit will begin; and
- What that benefit amount will be.

Money is paid out of the System if one of four events occurs: death, termination, disability, or retirement.

The amount of any benefit to be paid generally depends upon both current and future service and on the extent of future pay increases.

While the System is waiting to pay the benefit, it invests its funds and earns investment income to supplement contributions made by teachers, their employers, and the State. To evaluate the plan's potential liabilities, the actuary studies the system's experience and recommends certain assumptions to the Board. The assumptions are split between demographic (or noneconomic) and economic assumptions. There are four major demographic assumptions for active members: death, termination, disability, and retirement. For retired members and survivors, the only assumption is the likelihood of death. For disabled members, the demographic assumption covers both death and recovery from disability.

There are also four major economic assumptions: the assumed inflation rate, the salary scale, the investment return assumption, and the payroll growth rate.

The Concept of Actuarial Cost

Over the long term, the employers' cost of the program is going to be equal to the difference between the sum of benefits, refunds, and expenses paid out over the sum of employee contributions and investment earnings. Because contributions of the State, employers, and members remain constant from year to year and are set by law, poorer investment returns and unfavorable demographic experience will either decrease the current actuarial surplus or create an unfunded liability. Conversely, greater investment returns and favorable demographic experience will increase the actuarial surplus or reduce the unfunded liability. In order to prefund a defined benefit program properly, it is necessary to determine the appropriate amount of employee, employer, and state contributions to be made to the program. This is the function of an actuarial cost method – to produce a pattern of contributions that meet the goals and requirements of a defined benefit program.

There are two components to the actuarial cost of an existing benefit structure or from adding a benefit enhancement. These are the "normal cost" and the amortization charge for funding the unfunded actuarial obligation. The unfunded actuarial obligation is usually referred to as the:

- Unfunded liability (UL);

- Unfunded actuarial accrued liability (UAAL);
- Unfunded accrued liability (UAL).

At CalSTRS, this term is referred to as the Unfunded Actuarial Obligation (UAO).

The number of years it will take the current contribution schedule to fully amortize the UL fully is referred to as the Program's "funding period."

The normal cost may be thought of as the ongoing cost of the Program, if there were no UL. It is the annual cost for the benefits that will be earned by the average new member over his or her career, if the actuarial assumptions are exactly met and if there is no change in the benefit level.

The amortization charge for the UL is the annual rate this UL is being paid off, or "funded."

The technical definition of the UL depends on the specific actuarial cost methods used in the valuation. Different cost methods assign different parts of the total actuarial liability for all future benefits to past years (the actuarial accrued liability), to the current year (the normal cost), and the future years (future normal cost).

Different actuarial cost methods spread the incidence of actuarial cost in different ways. One approach is to spread cost based on the benefit formula itself (the projected credit unit method). Another approach spreads the incidence of cost on a level dollar basis. Others spread the cost on a level percentage of payroll basis. The aggregate cost method does not create any UL at all.

CalSTRS uses the entry age normal cost method for valuing the DB Program. This is the most common method used for public pension plans. Its popularity is because it spreads the cost as a level percentage of pay, and therefore, it does the best job of creating equitable treatment among successive generations of taxpayers.

The CB Benefit Program and the DBS Program use the traditional unit credit cost method, which is the method best suited for these types of programs.

Unfunded Liability

The UL is calculated as the actuarial present value of all future benefits, less the actuarial present value of all future normal costs, less the current actuarial value of assets. The resulting UL may either be positive (under-funded) or negative (over-funded).

The UL is not an accounting liability. It is also not the actuarial liability if the program is terminated or frozen.

The UL is the actuarial liability associated with prior years under the entry age cost method, assuming the plan will continue into the future. It reflects expected future pay increases for current members and expected future service for those members.

There are many reasons why a retirement program like the CalSTRS DB Program may have ended a prior year with an UL. As was the situation in CalSTRS' case, a part of the UL is due to those years in which the full actuarial cost was not contributed, i.e., the years before Elder Full Funding. UL can also be created by program improvements such as increases in the multiplier and retiree benefit increases. Actuarial gains and losses will also affect the UL. Gains and losses represent the difference between the actual experience of the Program and its assumed experience. The most dramatic example of actuarial gains occurred during the years 1995–1999 and has been the very favorable investment performance for funds allocated to the Program.

Changes in actuarial assumptions and/or methods also affect the UL. Such was the case for CalSTRS because of the last experience study.

It is important to remember that the creation of an UL is a natural by-product of the entry age methodology. Whenever benefit improvements are granted and additional contributions are not made to the DB Program equal to the full cost of the benefit improvements relating to past service, the entry age method will cause an increase in the UL.

There is nothing wrong or bad about having an UL. What is important is whether the System is making systematic progress in amortizing that UL over a reasonable period of time. There is also nothing wrong with a benefit enhancement that increases the UL, as long as proper funding is included at the creation of the benefit enhancement.

If, however, the Board sees a consistent pattern of actuarial experience losses from one year to the next, it should have the actuary perform an experience study to determine whether the current assumptions need adjustment.

In addition, if they see a consistent pattern of deterioration in the funded level of the Program, they need to begin an education process to alert the legislature and plan members to the potential dangers of under-funding the Program. The creation of Elder Full Funding is an example of this course of action.

Actuarial Assumptions

Because of the long time horizon of a defined benefit program, actuarial assumptions are necessary. The actuary's role is to study and recommend actuarial assumptions. The Board then accepts, rejects, or modifies those recommendations. This action represents a fiduciary decision on the part of the Board.

If the Board and the actuary are too optimistic in establishing the assumptions, the long-term ability of the DB Program to meet its emerging liabilities may be impaired. Consider two examples:

In the first example, the Board assumes the DB Program will earn 9.5 percent in investment return but in reality the Program only averages 8 percent. The true value of the liabilities will be greater than what is being assumed in the actuarial valuation process, since the actual return is less than expected. This means more money will be required to pay the benefits than had been planned. Therefore, the System could have problems paying its benefits over the long-term if corrective action is not taken.

As a second example, the Board sets retirement rates to assume members will retire on average at age 63. In reality, members actually retire at age 60. While the benefit may be less for retirement at age 60 than at age 63, it is payable for more years into the future. In addition and maybe even more significantly, the DB Program has lost three years of contributions it was counting on receiving.

Because the setting of the assumptions is so critical, the following discussion outlines the nature and impact of each major assumption.

Mortality Assumptions

The active member mortality assumption is not a major actuarial assumption as it relates to the size of the actuarial liabilities. This may be illustrated by comparing the active member mortality rates against the withdrawal and retirement rates. It is also illustrated by the size of the active member death benefit liability compared to the retirement benefit liability. The 2009 valuation of the DB Program showed the following present value of future benefits for active member death benefits versus retirement benefits (in millions of dollars):

Type of Benefit	Active Member	Retired Member
Death benefits	$1,257	$4,208
Present value of retirement benefits	$142,217	$82,422

In contrast to the active member mortality assumption, retired member mortality is a major assumption in determining the overall actuarial condition of the Program. The longer the life expectancy in retirement, the longer benefits will be paid. From the plan's viewpoint, favorable experience would occur if there were more deaths among retirees than expected. This is because not as many benefits are being paid out as are anticipated. Therefore, the UL will not grow as fast as assumed.

Rates of Disability

As with the active member mortality assumption, the assumption as to rates of disability is not a major actuarial assumption. Again, this may be seen by comparing the disability rates to the withdrawal and retirement rates. Using the 2009 DB Program valuation results, the relative importance of the benefit is seen if the present value of future benefits for future disabilities is compared to the present value of future retirement benefits (in millions of dollars):

Type of Benefit	Active Member Benefit	Retired Member Benefit
Disabled	$3,632	$2,297
Retired	$142,217	$82,422

In general, fewer disabilities than expected are viewed as favorable experience. If actual experience exhibits fewer disabilities than expected, then not as many disability benefits will be paid out as anticipated by the actuarial assumption.

Withdrawal Rates

The assumption as to withdrawal rates is a major actuarial assumption; it determines the likelihood of members staying in service to draw a retirement benefit. Favorable experience relative to withdrawal rates would be more terminations than expected by the assumptions. If there are more terminations, there will not be as many retirement benefits actually paid as expected and the benefits paid will not be as large as expected. For CalSTRS, the withdrawal rates are a function of both age and service. This type of structure of assumptions is known as "select and ultimate rates." This structure reflects the fact that both age and service affect the likelihood of staying in active employment.

Retirement Rates

The assumption as to retirement rates is also a major actuarial assumption in the valuation process. This assumption determines when the retirement benefits are expected to become payable. Favorable experience would occur if there were fewer retirements than expected. In this scenario, CalSTRS would have funds longer than expected, receive contributions longer than expected and pay out benefits for fewer years than expected.

Disabled Life Mortality

The mortality assumption for disabled lives is not a major actuarial assumption due to the size of disabled life liabilities compared to retired life liabilities. Favorable experience would occur if there were more deaths or recoveries than expected by the assumption. This would mean not as many disability benefits would be paid out relative to the assumed pay out.

Inflation Assumption

The inflation assumption is a key economic assumption. However, it is not affected by CalSTRS experience.

The importance of this assumption is that it links the assets and the liabilities. This is because it is a component of both the salary scale and the investment return assumption. The current CalSTRS assumption for inflation is 3.25 percent.

Salary Scale Assumption

The salary scale assumption is a major assumption from an actuarial standpoint. It helps determine the amount of the expected benefits to be paid by CalSTRS. Favorable experience occurs when salaries increase slower than expected, producing smaller actual benefits than anticipated by the actuarial calculations. Salary gains have been common in many state retirement systems over the last few years.

There are three components to the salary scale. The first component is inflation. The second component is the productivity component, which measures how much general salary increases exceed inflation; this is in addition to any age or service-related salary increases.

The final component of the salary scale is the promotional component. For CalSTRS, it is a function of both age and service. It reflects increases in the salary schedule that occur due to an additional year of service or experience. It also reflects adjustments occurring in salary for additional degrees or for promotions.

Currently, the salary scale for CalSTRS includes the inflation component of 3.25 percent, a productivity component of 1.00 percent, and a promotional component that is a function of age and service and ranges from 0.045–5.7 percent.

Investment Return Assumption

The investment return assumption is a major actuarial assumption and is the most visible. It determines the discounted value of future benefits and how fast assets are expected to accumulate through the investment process.

It should come as no surprise that favorable experience relative to this assumption occurs when the invested assets earn a higher rate of return than expected. This is illustrated by the investment performance achieved during the Plan years between fiscal years 1995 and 2000. There are two components to the investment return assumption. The first component is inflation, which is not affected by the program's asset allocation. The second component is the real rate of return net of investment expenses, which is affected by asset allocation, market forces and manager performance.

The current investment return assumption for CalSTRS is 8 percent. This is a common rate used by a number of large public plans. Because the inflation component is 3.25 percent, the current real rate of return assumption is 4.75 percent, net of investment expenses.

If the inflation component is changed and there is no change in the expected real rate of return, the amount of change will be equal to the change in the inflation assumption. If, on the other hand, the inflation component is increased, but there is no change in the total (nominal) investment return assumption, this implies there has been a decrease in the assumed real rate of return. An increase in the assumed real rate of return will equal the decrease in the inflation assumption.

Because of the common inflation component in these two assumptions, changes in the salary scale and the investment return assumptions should be viewed together to evaluate their reasonableness. The linkage of these two elements may be analyzed in an asset/liability modeling study.

The Actuarial Valuation

The primary purpose of the actuarial valuation for the DB Program is to determine the adequacy of the current contribution structure and any changes in the contribution structure that may be needed. This adequacy is measured in terms of the funding period. There are, however, several other purposes of the valuation. These include:

- Tracing changes in funding periods from the last valuation to the current valuation;
- Calculating the actuarial gains and losses for the two-year period between valuations; and
- Providing a biennial snapshot of the status of the plan.

For the CB Benefit Program and the DBS Program, the valuation process evaluates how the Plan net assets match-up with the sum of the nominal account balances, the Gain and Loss Reserve, and any Annuitant Reserve. It also determines how to allocate that year's investment earnings among minimum interest credits, additional earnings credits, additional annuity credits, and the Gain and Loss Reserve.

As with everything the CalSTRS consulting actuary calculates, all results in these valuations are based on the assumptions and methods adopted by the Board.

The valuation report provides a great deal of information. As noted above, the primary focus of the DB Program valuation is to determine the funding period for amortizing the UL, based on the current contribution schedule.

The valuation also provides information on any assets and/or liability gains or losses, the size of the UL itself, the plan's current funded status, an estimate of investment returns based on the actuarial value of assets, numerous member statistics, and the external cash flow during the two-year period.

Viewing and Interpreting Valuation Results

A number of issues contribute to the perception that actuarial concepts are difficult to understand. These include the long-term nature of actuarial liabilities themselves. It also reflects the large number of actuarial variables present in the valuation. Yet another complicating feature is the existence of complex benefit provisions.

The valuation report contains a multitude of numbers and amounts. In trying to understand the significance of the valuation, readers of the report should not just focus on the numbers in isolation. In order to understand the meaning of the valuation results, it is helpful to put the actuarial results in perspective by looking at trends and comparisons:

- Is the funded ratio changing from year to year? If so, is it increasing or decreasing from one valuation to the next?
- Is the UL growing or declining as a percent of payroll? The UL may be increasing in total dollar amount simply because the active membership is growing. By looking at it relative to payroll, it is possible to evaluate whether or not the UL is growing faster or slower than the system as a whole.
- It is important to observe any pattern of actuarial gains or losses from one valuation to the next. If there are changes in the UL, can those changes be explained by benefit enhancements or by changes in assumptions?
- Is the funding period increasing or decreasing from one valuation to the next?

These are the types of reviews and analysis the actuary performs when evaluating the valuation results.

Investment Policy and Management Plan

Investment Policy and Management Plan

Executive Summary

The California State Teachers' Retirement Board (Board) believes that to manage growth of assets in a prudent manner, it is necessary to establish a clear investment policy and a planning statement in the form of an investment management plan under which the Investment Branch will operate. The Board has sole and exclusive fiduciary responsibility to administer the investment assets in a manner that will assure the prompt delivery of benefits and related services to the plan participants and their beneficiaries. As a public pension fund, the California State Teachers' Retirement System (CalSTRS) is not subject to the Employee Retirement Income Security Act (ERISA), which governs corporate pension plans. The CalSTRS investment decision-making criteria are based on the "prudent expert" standard, for which the ERISA prudence standards serve as a basis. Additionally, the California Constitution, Article 16, Section 17, and the California Education Code, Part 13 Teachers Retirement Law, Chapter 4, Section 22250 require diversification of risk across asset classes and minimization of employer costs.

The Investment Policy and Management Plan have been developed within the context of the significant events that have occurred during CalSTRS' 97 year history. The CalSTRS Investment Management Plan is updated to reflect the changes that have occurred in the investment policy and strategy as a result of implementing approved programs. In addition, the Investment Policy and Management Plan is updated to ensure that the factors that impacted initial decisions are still relevant in the current environment.

This document addresses general objectives governing the policies of the investment function and specific performance objectives. The general objectives are meant to provide a framework for the operation of the investment function. CalSTRS' performance objectives can be divided into objectives for the overall investment function and objectives for investment managers.

The asset allocation decision governs the allocation of CalSTRS' assets between public and private, and fixed income and equity. Strategic allocation of CalSTRS' assets is the most important factor in the determination of the realized total rate of return. The Board, Investments Staff, and the General Consultants worked together to create a variety of optimal asset allocation alternatives. The Board has adopted the desired targets and set tight ranges around those targets to control risk and ensure the proper allocation of the portfolio.

Strategic asset allocation targets are established within a variety of sub-asset categories to achieve the identified performance objectives. In conjunction with the overall asset allocation targets, sub-asset class level tactical ranges provide flexibility to adapt to changing market conditions.

Subsequent to the establishment of strategic asset allocation targets, an investment structure was designed to guide and direct investment decisions. Investment related issues addressed included:

1. The Funds' overall investment objectives, risk tolerance, and performance standards,
2. The relative amount of active and passive management within each asset class,
3. The relative amount of internal and external management,
4. The appropriate direct and indirect costs of each asset category, and
5. The appropriate reporting standards and time horizons.

Additionally, CalSTRS is committed to holding and managing securities investments in both the public and private markets and exercising the corporate governance rights that are a necessary part of that ownership. CalSTRS views these rights as plan assets and discharges its fiduciary duty solely in the interest of the plan participants and their beneficiaries.

Standard Of Care

Under California Constitution, Article 16, Section 17, and the California Education Code, Part 13 Teachers Retirement Law, Chapter 4, Section 22250, the Board has the sole and exclusive fiduciary responsibility over the assets of the retirement system. The Board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the members and their beneficiaries. The assets of the retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries, and defraying reasonable expenses of administering the system.

The members of the Board of the retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of, providing benefits to members and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. The Board's duty to its members and their beneficiaries shall take precedence over any other duty.

The members of the CalSTRS Board shall discharge their duties with respect to the system with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

General Investment Objectives

The main goal for The California State Teachers' Retirement System is to "maintain a financially sound Retirement System." Within this context and in conjunction with the State Constitution and State Education Code, the following general investment objectives are designed to establish a framework for the operation of the investment portfolio.

1. **Provide for Present and Future Benefit Payments.** CalSTRS' Investment Program shall provide liquidity to pay benefits to its participants and their beneficiaries, in the amounts and at the times called for, through the investment of contributions and other fund assets, strive to meet the assumptions built into the actuarial model, and strive to maintain a fully funded pension system.
2. **Diversify the Assets.** Seek to diversify the assets to achieve the desired rate of return at a prudent level of risk. The asset structure must provide for diversification of risk between asset classes in order to manage the risk/return relationship through strategic asset allocation.
3. **The Reduction of CalSTRS' Funding Costs.** Within prudent levels of risk, the reduction of CalSTRS' funding costs shall be a consideration in the organization and structure of the Investment Portfolio.
4. **Maintain the Trust of the Participants and Public.** Manage the investment program in such a manner that will enhance the member and public's confidence in the CalSTRS Investment Program.
5. **Establish Policy and Objective Review Process.** A formal review of the CalSTRS Investment Policy and Management Plan will be conducted annually, with an updated financial projection developed every two years.
6. **Create Reasonable Pension Investments Relative to Other Pension Funds.** The selection of investment vehicles and policies will be judged against other private and public pension funds. Investment performance, asset management costs, staffing, and overall expenses will be compared to other public and corporate pension plans, with special emphasis on comparisons with other large public funds.
7. **Minimize Costs.** Management fees, trading costs, and other expenses will be aggressively monitored and controlled.
8. **Compliance with State and Federal Laws.** The Investment Program must operate in compliance with all applicable State and Federal laws and regulations concerning the investment of pension assets.

Investment Goals

Within these general investment objectives, the Investment Committee has set forth near term goals for the Investment Portfolio. These goals are ranked and proportioned in accordance with the Investment Committee's priorities set in the

2009 Asset Liability Study. These goals help serve to define the overall risk and return objectives for the Portfolio and set the long-term asset allocation. By prioritization, they emphasize the Investment Committee's focus on long-term results with the willingness to accept short term volatility in order to achieve a higher outcome over many years.

1. Achieve highest actuarial funding ratio years 3 through 33 (42 percent weight)
2. Achieve lowest average actuarial cost during years 3 through 23 (16 percent weight)
3. Avoid actuarial funding ratio below 57% in years 3 through 33 (15 percent weight)
4. Lowest likelihood of Pay-As-You-Go years 10 through 30 (15 percent weight)
5. Avoid actuarial employer cost over 35% in any of the years 3 through 23 (10 percent weight)

Investment Performance Objectives

The general investment objectives designed a framework for the operation of the investment function. The performance objectives can be divided into three components: 1) performance objectives for the overall Investment Portfolio, 2) performance objectives for each asset class, and 3) performance objectives for the individual investment managers within each asset class. CalSTRS incorporates all three levels of analysis in its monitoring of the Investment Portfolio performance.

In 2001, a survey of the Board members confirmed the Board's primary objective is to meet the actuarial assumptions and to strive to maintain a fully funded pension plan. Further, the Board reaffirmed its focus on a long-term investment horizon of 10 years. As a long-term pension plan, the Board emphasizes that the primary time horizon for measuring investment performance will be over a three, five, and ten year period rather, than quarter to quarter or year to year.

There are four performance objectives identified for the overall Investment Portfolio:

1. Relative to Strategic Asset Allocation Targets
2. Relative to Inflation
3. Relative to the Actuarial Rate of Interest
4. Relative to CalSTRS' Liabilities

The first objective identifies a comparative benchmark that reflects CalSTRS' unique asset allocation policy. This performance objective is a composite of the target weighting for each asset category multiplied by the performance benchmark's return for that category. This performance number is compared to the actual asset allocation and actual total rate of return. This comparison identifies the contribution or detriment to performance caused by manager performance, market timing, and tactical asset allocation decisions.

The inflation related objective compares the investment performance against the rate of inflation as measured by the Consumer Price Index (CPI) plus 3.5 percent. The Consumer Price Index is used in the calculation of the estimated salary increases for the members (teachers). The inflation measure provides a link to CalSTRS' liabilities.

The actuarial rate of interest is reviewed and monitored as a measure of the long-term rate of growth of CalSTRS' assets. The current actuarial rate of interest is 8.0 percent. When adopting the actuarial rate of interest, the Board anticipates the Investment Portfolio may achieve higher returns in some years and lower returns in other years.

The liability related performance objective recognizes that liabilities must be paid in full and in a timely manner. The liabilities are future claims of the CalSTRS' participants. The actuarial rate of interest is used to discount the future value of the CalSTRS' liabilities to calculate the funded ratio.

Performance Benchmarks

To facilitate the periodic reporting to the Investment Committee and to provide a relative measure to gauge success, custom performance benchmarks are approved by the Investment Committee. The Investment Committee has also adopted the Benchmark Modification Policy to allow for the deletion of certain industries that met specific risk criteria from all benchmarks. The approved custom performance benchmarks are shown on following page:

Total Public Global Equity	Weighted blend of the Russell 3000 Index ex-Tobacco combined with the MSCI ACWI ex-U.S. Index ex-Tobacco
U.S. Equity	Russell 3000 Index ex-Tobacco
Non-U.S. Equity	MSCI ACWI ex-U.S. Index ex-Tobacco
Total Public Debt	(95%) Barclays Capital U.S. Aggregate ex-Tobacco + 5% U.S. High Yield Cash Pay 2% Issuer Constrained Index ex Tobacco
U.S. Core	Barclays Capital U.S. Aggregate Index ex-Tobacco
U.S. Core Plus Debt	Barclays Capital U.S. Universal Index ex-Tobacco
High Yield Debt	Barclays Capital U.S. High Yield. Cash Pay ex-Tobacco 2% Issuer Constrained Index
Absolute Return	Weighted blend of Global Inflation Protected or Linked securities and infra-structure index.
Real Estate	NCREIF Property Index
Private Equity	Russell 3000 Index ex tobacco plus 300 basis points and the State Street Private Equity Index cumulative pooled internal rate of return data weighted by sub-asset type.

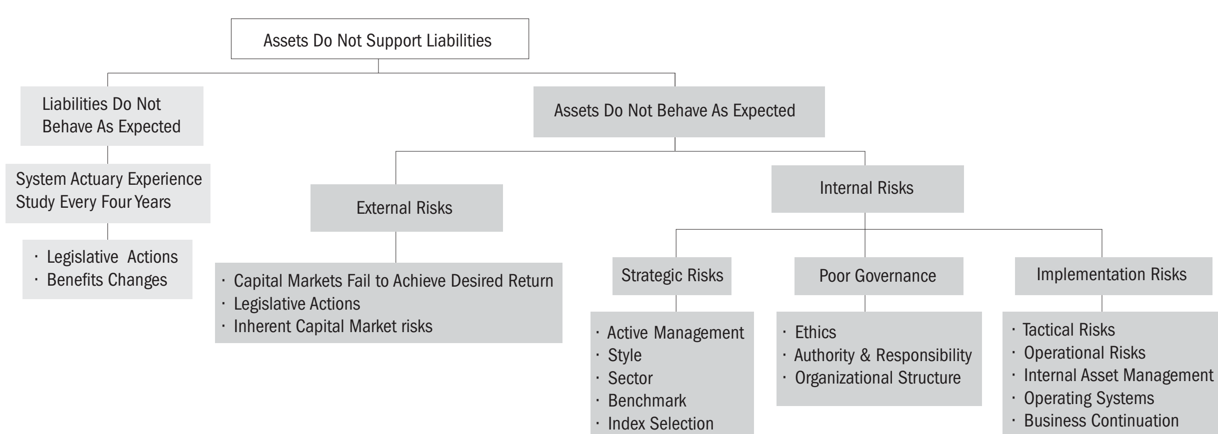
Blended indices are weighted based upon CalSTRS' target allocations to each respective index. Each investment manager, for U.S. and non-U.S. equity, fixed income, and currency hedging has an individualized benchmark designed to measure its performance relative to the objective identified in each manager's respective investment guidelines.

Risk Constraints

The CalSTRS Investment Portfolio will be invested to maximize return at a prudent level of risk in accordance with the CalSTRS Investment Policy, the California Constitution, and the California Education Code.

Risk Standards

With a few enhancements, CalSTRS has utilized the risk matrix *Statements of Key Investment Risk and Common Practices to Address Those Risks, June*



2000, which is endorsed by the NCTR[1] , GFOA[2], and APPFA[3]. These standards promulgate the CalSTRS risk framework which is listed below:

External Risk – External risks are embedded and inherent within the capital markets. This policy defines the Fund's strategy and process to capture or, in turn, mitigate these risks.

Governance Risk – Governance risk is mitigated within the Board's Policy and the individual asset class policies. Roles and assignments are clearly stated in each policy.

Strategic Investment Risks & Implementation Risks – This Policy is designed to mitigate the strategic investment risks and implementation risks of the investment activity. A critical element to mitigate these risks is the asset allocation and sub-asset structure of each asset class. The Board has adopted target allocations and tight ranges to control and limit the strategic and tactical risks in the Portfolio. To control the active manager style, sector, index, and benchmark risks, the Board has delineated guidelines and structure through the asset allocation plan and equity manager policies and guidelines.

Environmental, Social and Geopolitical Risks (ESG) – CalSTRS Investment Portfolio operates in a unique and complex social-economic milieu, and the Board expects its staff and investment managers to select investments after a careful investigation and deliberation of the risks versus the potential return. To assist staff and investment managers, the Board has promulgated a partial list of risks to be considered that are of particular concern to the System, this list and the ESG policy are included as Attachment A to this Policy.

Risk Budget

The CalSTRS Asset Allocation Plan is developed within the concept of a risk budget. In CalSTRS view, the public markets of U.S. equity, U.S. fixed income and, to a lesser extent, non-U.S. equity, are fairly efficient markets. Information is disseminated quickly and new information is quickly absorbed into the market prices of a given security. As a result, CalSTRS utilizes a more passive management style. The less efficient the investment the greater exposure to active management and hence the larger exposure to style, sector, and management risk. In the less liquid and inefficient asset classes of high yield fixed income, alternative investments, and real estate, the Fund utilizes a complex active management style to capture the greater opportunity set offered by the larger risks.

Total Fund Risk

Liquidity Risk

No more than 33 percent of the total fund shall be invested in instruments that are not regularly publicly traded on a daily basis.

Maximum Investment

No more than 3 percent of the total fund shall be invested or exposed to any one security or corporation, with the exception of United States Treasury or Agency Obligations. No more than 15 percent of any asset class may be invested in any one security, with the exception of United States Treasury or Agency Obligations.

Asset Allocation

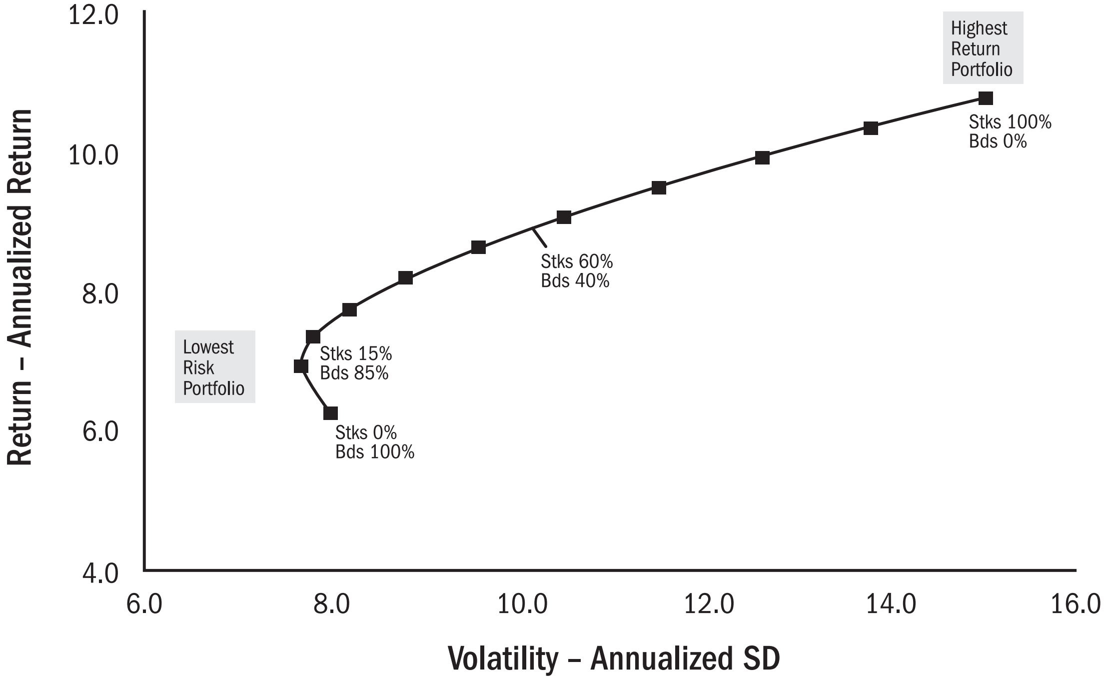
A Review of Asset Allocation

A diversified investment portfolio consists of multiple asset classes whose investment returns respond differently to varying economic scenarios. Diversified portfolios are attractive because the combination of various asset classes can reduce expected risk while maintaining expected return. Combining assets having different return patterns can produce a portfolio that has much lower volatility (risk) than any individual asset while producing returns that are competitive. Maximizing return while reducing risk increases the probability of meeting a specified return objective.

Efficient frontier analysis is a widely accepted method of analyzing the tradeoff between risk and return across portfolios having different mixes of assets. Through this quantitative technique (which relies on several critical assumptions), an optimization process identifies portfolios of assets providing the highest expected return, given a specified level of risk. The procedure continues to determine ideal portfolios at varying levels of risk until an entire range of ideal portfolios (termed an "efficient frontier") is identified on the following page.

1. National Council on Teacher Retirement; 2. Government Finance Officers Association;
3. Association of Public Pension Fund Auditors

An Efficient Frontier for a Stock and Bond Portfolio



Asset Class	Expected Annual Return	Expected Annual Volatility
Domestic Stocks:	9.25%	22.0%
Domestic Bonds:	5.75%	8.0%
Stock-Bond Correlation:	0.25	

In selecting certain combinations of assets (such as domestic equity and fixed income) any rational investor will always consider the tradeoff between changes in return and changes in risk. At a minimum, investors should expect to receive a higher rate of return for an incremental increase in investment risk.

Each mix of assets is, in itself, a unique asset having its own return vs. risk tradeoff. As highlighted above, these asset portfolios can exhibit return patterns that differ greatly from any underlying asset. Depending on the extent of how individual assets move in relationship to each other (measured by correlation), certain mixes of assets could enhance the return-risk tradeoffs over investing in any single asset.

The curve-point in the curve in the efficient frontier chart shows when adding a certain proportion of stocks ceases to add value (simultaneously adding return and reducing risk). This point comes when stocks become 13 percent of the portfolio. Beyond this point, the only way to increase return is to increase risk incrementally. For those points along the line past the curve point, the only decision one has to make is how much incremental risk one is willing to accept.

The only way to increase return will be to accept incremental increases in investment risk (uncertainty). The line between the curve-point and the "100% Stocks" point is termed the "efficient frontier." Any point along the efficient frontier represents that unique portfolio that offers the highest return for the given amount of risk.

The Asset Allocation Process

The key goal of the asset allocation process is to develop an asset allocation policy that maximizes the likelihood that an investment portfolio's assets will, over the planning horizon, fund plan benefits.

Steps Involved in Setting Asset Allocation Policy

Overview and Planning Steps

1. Review rationale for policy.
   A. Importance of diversification
2. Review financial condition of plan.
   A. Assets versus projected liabilities (balance sheet)
   B. Projected contributions versus projected benefits

Investment Related Steps

3. Review rationale for investment asset classes in light of plan financial requirements.
4. Develop expectations for asset class investment performance (returns, risks, correlations).
5. Identify investor-specific constraints that might limit investment strategies (e.g., liquidity).
6. Create model portfolios, incorporating objectives, assumptions, and constraints.
7. Isolate investor-specific model portfolio to represent an investor's asset allocation policy.
8. Perform additional sensitivity analyses to quantify impact of specific issues.
   A. Adjustments to required rate of return
   B. Shift in financial condition of the Plan due to funding

Once the rationale for undertaking an asset allocation study is understood, a review of the financial condition of the plan becomes imperative. A key component of reviewing a plan's financial condition is studying the actuarial requirements of the plan. These include the future liabilities and expected cash flow of contributions less benefit payments. For example, over the next decade, CalSTRS expects to see a negative cash flow as more participants retire. These requirements represent the plan's long-term liabilities and, when combined with the plan's investment portfolio, constitute a pension plan's balance sheet.

Understanding what factors (such as changes in interest rates, benefit structures, and plan demographics) influence these liabilities is important. Changes in these and other underlying factors may, in fact, alter a plan's liability structure. Such shifts could, in turn, impact the plan's financial condition. CalSTRS' liabilities were studied and considered as part of this asset allocation review.

Selecting Asset Classes for Portfolio Investment

As discussed earlier, there are three components required to model investment returns: 1) asset class expected returns, 2) asset class risks, and 3) correlations among asset classes. Investment consultants develop these components, which are then used to develop efficient frontiers quantitatively. CalSTRS' current long-term expected returns and risks for various assets classes range from 4.5 percent to 12.5 percent per year.

Total Return and Risk Estimates*

Assumed inflation level: 2.5% per year Adopted in April 2009

Asset Class	Expected Annual Return	Expected Risk (Annlzd. SD)[4]
Cash	3.50	2.0
Domestic Bonds	4.90	6.5
Absolute Return	6.50	6.1
Global Stocks	9.30	18.5
Private Equity	11.80	25.0
Real Estate	9.25	17.5

* [See next page for footnote]

[4] SD – Standard Deviation

Correlation among the asset classes:

	Global Equity	Fixed Income	Absolute Return	Private Equity	Real Estate
Global Equity	1.00				
Fixed Income	0.10	1.00			
Absolute Return	0.35	0.60	1.00		
Private Equity	0.80	– 0.10	0.10	1.00	
Real Estate	0.40	0.40	0.30	0.50	1.00
Liquidity	0.10	0.30	0.00	0.15	0.25

* These return and volatility estimates are only for asset allocation modeling purposes.
The Investment Committee has not authorized their use for liability modeling purposes.

These return and volatility estimates reflect several basic relationships:

1. Investors or lenders of capital require an incremental real return premium as a reward for making capital available.
2. Equity-oriented investment should, over long periods, produce return premiums that are higher than their fixed-income counterparts.
3. The return assumptions for the publicly traded asset classes do not account for added value opportunities within each asset class.

Review of Asset Allocation Policy

Over the last twenty years, CalSTRS' Asset Allocation Policy has shifted modestly.

CalSTRS Asset Allocation Policy Trends (in %)

Asset Class	Long-term*	2008	1999	1995	1993	1986
U.S. Equities	–	40	38	34	33	40
Non-U.S. Equities	–	20	25	18	18	15
Public Global Equity	**47**	**60**	**63**	**52**	**51**	**55**
Real Estate	15	11	5	5	10	10
Private Equity	12	9	5	3	7	5
Total Equity	**74**	**80**	**73**	**60**	**68**	**70**
Global	0	0	0	5	1	0
Absolute Return	5					
Fixed Income	20	20	26	34	30	30
Cash	1	0	1	1	1	0
Stable Assets	**26**	**20**	**27**	**35**	**31**	**30**
Total	100	100	100	100	100	100

* The long-term target was established in July 2009.

CalSTRS' Investment Policy has remained consistent from an equity/stable asset allocation viewpoint. In 1986, CalSTRS had a strategic allocation of 70 percent equities and 30 percent stable assets. In 1997, CalSTRS' Board adopted and reaffirmed a policy of 73 percent equity and 27 percent stable assets. During the 2006 Asset Liability Study, the Investment Committee approved a shift to a long-term plan of 80 percent equity and 20 percent stable assets to optimize the likelihood of success in meeting the investment goals listed at the beginning of the Policy. In 2009, the Investment Committee added a new asset group, Absolute Return, to help improve the overall diversification and reduce volatility. As a stable asset class, this shifts the equity/debt ratio to 74/26.

Strategic Asset Allocation

The System's asset allocation strategy utilizes a design for today's needs, while anticipating the future capacity and growth of the Investment Portfolio. A strategic asset allocation target for each asset class was first established in 2001 and has been revised with each subsequent asset allocation study, based upon a comprehensive asset allocation analysis completed by Pension Consulting Alliance. In conjunction with the strategic target, a range for each asset category has been established to provide flexibility designed to reduce rebalancing costs and allow flexibility to adapt to changing market conditions.

To control the risk and return relationship, each asset category should be rebalanced to the strategic target. Rebalancing latitude is important and can significantly affect the performance of the Portfolio. Blind adherence to narrow ranges increases transaction costs without a documented increase in performance. A rebalancing range that is too wide may cause undesired changes in the asset allocation. The range is plus or minus six percent around the strategic target for all asset categories. The six percent range refers to the market value of the total investment portfolio.

CalSTRS Long-term Policy Target and Ranges

	Long-Term Target	Range
Global Equity	47%	41% to 53%
Private Equity	12%	9% to 15%
Real Estate	15%	12% to18%
Total Equity	**74%**	**68% to 80%**
Absolute Return	5%	0% to 8%
Fixed Income	20%	17% to 23%
Cash	1%	–2% to 4%
Total Public Debt	**26%**	**20% to 32%**
Total Asset Allocation	**100%**	

Please note that the allocated, but not funded, portion of Private Equity and Real Estate will be invested in accordance with the Strategic Asset Allocation Plan.

Revised CalSTRS Long-term Policy Target and Ranges

	Step 1 – 2010	Step 2	Step 3	Long-Term Target
Global Equity	54	51	49	47%
Private Equity	12	12	12	12%
Real Estate	11	13	14	15%
Absolute Return	1	3	4	5%
Fixed Income	21	20	20	20%
Cash	1	1	1	1%
Total Asset Allocation	**100%**	**100%**	**100%**	**100%**

With the creation of the Absolute Return asset class, CalSTRS will build up the new portfolio as attractive investment opportunities and time permit. To integrate the new asset class, CalSTRS has adopted the following implementation plan commencing in July of 2009. Each quarter the asset mix will be revisited and the Policy benchmark will be moved to the next step if approved by the Investment Committee.

Rebalancing Procedure: The asset mix may deviate from the target as shown above. Deviations greater than described may require rebalancing within the range. The range around the allocation targets is intended to keep the actual allocation close to the target while minimizing the transaction costs that result from rebalancing.

1. The Board delegates to the Chief Investment Officer authority to rebalance the asset allocation across asset classes when market values of assets fall outside policy ranges and to shift within the ranges. Rebalancing and shifts will be accomplished first using normal cash flows and second through reallocation of assets across asset classes. The timing of the re-balancing and shifts will be based on market opportunities and the consideration of transaction costs, and therefore need not occur immediately. The global financial markets and fund conditions are dynamic, not static. The optimum shift in assets will depend on market volatility and costs. The above policy ranges are long-term and may deviate in the short-term as a result of funding schedules, interim market movements, and market impact costs of implementation.
2. Idle cash will be allocated to asset classes and investment managers based on target allocations.
3. The Board authorizes the Chief Investment Officer to shift assets in a timely, prudent, and cost efficient manner within the Policy ranges and in order to maintain the policy ranges established by the Board. The Board further authorizes the Chief Investment Officer to utilize futures, forward contracts and options for a temporary period, in order to maintain target range exposure in asset classes and to reduce transaction costs that would otherwise be incurred by the buying and selling of actual securities. Rebalancing can occur to bring asset classes within their target ranges or when there is transition between investment managers. The CIO will promptly report any major re-balancing to the Board at the next Investment Committee meeting.
4. Rebalance Within Asset Classes: The Board authorizes the Chief Investment Officer to rebalance within each asset class by first using normal cash flows and second through the reallocation of assets within asset classes. This reallocation will be based on individual policies and guidelines for each asset class.
5. Because of appraisal valuation and the illiquid market nature of appraised assets, exceeding the maximum policy range allocation will trigger a conscious review by the Chief Investment Officer, the specialty and General Consultant, and the Investment Committee rather than an automatic rebalancing.

Investment Structure

Investment structure guides and directs present and future investment decisions in a prudent manner. The structure is also used by CalSTRS to mitigate the strategic investment risk within the portfolio. Investment related issues addressed included:

1. The relative amount of active and passive management,
2. The relative amount of internal and external management,
3. The appropriate direct and indirect costs of each asset category, and
4. The appropriate reporting standards and time horizons.

Asset Allocation Structure

1. Based on academic studies, it has been determined that 91 percent of the total return is attributable to the asset allocation decision. Consequently, each asset category shall remain within the tactical range approved in the Strategic Asset Allocation adopted by the Board.
2. Control of the cash flow is critical to the success of long-term investment strategies. Estimated cash flows shall be provided to the Investment Committee in conjunction with the biennial Actuarial Study.
3. No less than quarterly, the Chief Investment Officer will complete a report identifying the salient aspects of the investments, including a section on compliance with approved asset allocation targets.

Corporate Governance Policy

CalSTRS has developed robust policies and standards for fair and open governance of corporations. As long-term owners and lenders to corporations around the world, it is the Fund's duty to protect those assets through the pursuit of good governance and operational accountability. More detailed information about the program can be found in the Corporate Governance Investment Policy.

Global Equity Structure

1. The Equity portfolio is a full global portfolio comprised of U.S.; Non-US developed Countries, and Emerging markets. Each segment is managed under a different structure and the Global Equity policy has set forth targets and ranges for each area.
2. The U.S. segment of the Global Equity Portfolio will be managed using both passive (70 percent target) and active (30 percent target) strategies. The structure of the Active Portfolio will follow the general percentage breakout of the Russell 3000 Index between large and small capitalization and value and growth characteristics. The passive component may have both internal and external managers. The active component will be managed externally.
3. The non-U.S. segment of the Global equity portfolio is assumed to be more inefficient, allowing active management to add value. The target will be an equal amount of active management (50 percent) and passive management (50 percent) strategies.
4. Emerging markets segment will be utilized to enhance return and diversification and will be 100 percent actively managed. The passive component may have both internal and external managers. The active component will be managed externally
5. More detailed information and standards about the asset class can be found in the Global Equity Investment Policy.

Fixed Income Structure

1. The Fixed Income Portfolio shall be comprised of investment grade and non-investment grade securities, U.S. dollar based and non-U.S. dollar based securities. The Portfolio will target 80 percent using an enhanced indexing strategy, while 20 percent will be externally actively managed using a broader universal fixed income and high yield securities opportunity set. The Internally Managed Portfolio will emphasize tracking the risk characteristics of the performance benchmark.

2. Short term fixed income / liquidity and cash securities, including the cash portion of equity portfolios, shall be managed internally with emphasis on safety and liquidity. The Portfolio shall be comprised of investment grade securities, A1/P1 rated short-term debt, and other appropriate securities as approved in the policies and procedures.

3. More detailed information and standards for the asset class can be found in the Fixed Income Investment Policies.

Currency Management Structure

1. The Currency Management Program overlays CalSTRS total exposure to foreign currencies from the U.S. Equity, the Alternative Investments, and the Real Estate Portfolios. The program structure is 80 percent internally managed, with a primary focus on defensive hedging in periods of a strong dollar, with opportunity for cross hedging to add value. External active currency overlay managers will be used for 20 percent of the overall currency exposure. These managers may actively shift currency exposure to add value to the Portfolio.

2. More detailed information about the program and structure can be found in the Currency Management Policy.

Private Equity Structure

1. The Private Equity Portfolio will be comprised of limited partnerships and co-investments focusing on commitments to domestic and non-U.S. partnerships as identified in the Private Equity Policy. A private equity advisor and Staff will analyze each partnership and conduct appropriate due diligence with the objective of achieving upper quartile performance, as identified by Venture Economics.

2. Private Equity has substantial fees and costs; consequently, emphasis will be placed on negotiating, monitoring, and controlling the direct and indirect costs of each limited partnership investment.

3. More detailed information and standards for the asset class can be found in the Private Equity Policy.

Real Estate Structure

1. The Real Estate Portfolio will be comprised of direct real estate investments, joint venture/value added investments, and commingled funds (opportunistic funds) with adopted targets of 50 percent to core, 20 percent value added and 30 percent to higher-risk tactical investments. Leverage may be applied within the constraints set forth in the Real Estate Investment Policy.

2. To more closely align the interests of the plan sponsor and real estate manager, emphasis will be placed on negotiating, monitoring, and controlling the cash flow (both income and expense) associated with each property.

3. More detailed information and standards for the asset class can be found in the Real Estate Policy.

Absolute Return Structure

1. This asset class consists of several asset types that, when combined, should produce a relatively stable return stream, with return level between equities and fixed income and an overall higher correlation to inflation than equity or fixed income. The initial portfolio will be comprised global inflation linked bonds / securities and infrastructure investments. Additional investment areas and strategies may be added upon the Investment Committee approval.

2. Infrastructure investments are governed by the infrastructure policy, initially adopted in July 2008.

Additional Investment Programs & Policies

CalSTRS also maintains programs and policy statements for the following additional investment programs:

1. California Investments – Urban & Rural Underserved Markets
2. Securities Lending
3. Credit Enhancement
4. Member Home Loan Program
5. Directed Brokerage Program
6. Divestment Policy

Additional information and standards for each can be found in their respective investment policies statements.

Reporting

On at least a quarterly basis, the Chief Investment Officer will prepare a comprehensive report on the Investment Program to include the asset allocation, movement of assets, System cash flow, and the market value of each Portfolio. Semi-annually, the General Consultant and CIO will preview and present the investment performance of the Systems' Investment Portfolio.

Approved July 2002

Revised Capital Market Assumptions December 2002

Revised Asset Allocation Plan November 2003

Revised November 2003

Revised December 2003

Revised December 2005

Revised Capital Market Assumptions February 2006

Revised June 2006

Revised July 2006

Revised for new asset allocation targets September 2006

Revised for new asset allocation targets September 2007

Revised for new Asset Allocation targets and ESG Policy July 2008

Revised to add 21st Risk Factor for Human Health to the ESG Policy, Attachment A September 2008

Expand Asset class ranges November 2008

Revised asset allocation targets March 2009

Revised for New Asset Allocation targets August 2009

Revised for Asset Allocation targets July 2010

Attachment A:
Investment Policy for Mitigating Environmental, Social, and Geopolitical Risks (ESG)

Principles

The fiduciary responsibility of the Board, as described in detail within the overall Investment Policy and Management Plan, is to discharge its responsibility in the sole and exclusive interest of the participants and beneficiaries in a manner that will assure the prompt delivery of benefits and related services.

CalSTRS invests a multi-billion dollar fund in a unique and complex social-economic milieu and recognizes it can neither operate nor invest in a vacuum. The System's investment activities impact other facets of the economy and the globe. As a significant investor with a very long-term investment horizon and expected life, the success of CalSTRS is linked to global economic growth and prosperity. Actions and activities that detract from the likelihood and potential of global growth are not in the long-term interests of the Fund. Therefore, consideration of environmental, social, and governance issues (ESG), as outlined by the CalSTRS 21 Risk Factors, are consistent with the Board fiduciary duties.

Consistent with its fiduciary responsibilities to our members, the Board has a social and ethical obligation to require that the corporations and entities in which securities are held meet a high standard of conduct and strive for sustainability in their operations. As an active owner, CalSTRS incorporates ESG into its ownership policies and practices.

Since CalSTRS is a long-term investor and may hold an investment in a corporation or entity for decade after decade, short-term gains at the expense of long-term gains are not in the best interest of the Fund. Sustainable returns over long periods are in the economic interest of the Fund. Conversely, unsustainable practices that hurt long-term profits are risks to the System's investment.

Since CalSTRS must invest huge sums of moneys for long periods of time to pay for future benefits promised to California Teachers, our actions to invest in securities of a corporation predominately reflects a judgment that the ownership will produce a sustainable rate of return which will make it an attractive investment and help CalSTRS meet its long-term obligations. It is important to note that CalSTRS ownership of a security in a company does not signify that CalSTRS approves of all of the company's practices or its products or that CalSTRS believes a particular company is an attractive investment since the security may be owned due to its membership in a particular index or for risk mitigation purposes.

Since 1978, CalSTRS has used a written policy, the Statement of Investment Responsibility (SIR), to navigate the complex landscape of ESG issues. The long history of this document is testimony to the national leadership of CalSTRS among pension funds in addressing ESG matters through a written policy. The SIR will continue its longevity as guidance on proxy voting; however this Policy now replaces the SIR as CalSTRS's preeminent policy on ESG matters.

Policy

Geopolitical Risks and Social Risks: To help manage the risk of investing a global portfolio in a complex geopolitical environment, CalSTRS has developed a series of procedures to follow when faced with any major geopolitical and social issue as identified by the 21 risk factors. It is important to note that fiduciary standards do not allow CalSTRS to select or reject investments based solely on social criteria.

When faced with a corporate decision that potentially violates CalSTRS Policies; the Investment Staff, CIO and Investment Committee will undertake the following actions:

A. The CIO will assess the gravity of the situation both as an ESG risk and as to the System. The extent of the responsibility of the System to devote resources to address these issues will be determined by: 1) the number of shares held in the corporation, and 2) the gravity of the violation of CalSTRS Policies.

B. At the CIO's direction, the Investment Staff will directly engage corporate management to seek information and understanding of the corporate decision and its ramifications on ESG issues.

C. The CIO and investment staff will provide a report to the Investment Committee of the findings and recommend any further action of engagement or need to commit further System resources. The Investment Committee can marshal further resources given the gravity of the situation.

To assist CalSTRS Staff and external investment managers in their investment analysis and decision-making, CalSTRS has developed a list of 21 risk factors that should be included within the financial analysis of any investment decision. This list is not exhaustive and does not attempt to identify all forms of risk that are appropriate to consider in a given investment transaction; however they do provide a framework of other factors that might be overlooked. These risk factors should be reviewed for an investment in any asset class whether within the U.S. or across the globe.

CalSTRS expects all investment managers, both internal and external to assess the risk of each of the following factors when making an investment. The manager needs to balance the rate of return with all the risks including consideration of the specific investments exposure to each factor in each country in which that investment or company operates.

CalSTRS 21 Risk Factors

Monetary Transparency

The long-term profitability by whether or not a country or company has free and open monetary and financial data, and its observance of applicable laws.

Data Dissemination

The long-term profitability by whether or not a country is a member of the IMF (or similar organization) and satisfies the conditions for access, integrity, and quality for most data categories.

Accounting

The long-term profitability by whether or not the accounting standards are formulated in accordance with International Accounting Standards or the U.S. Generally Accepted Accounting Principles.

Payment System: Central Bank

The long-term profitability by whether the activities of a country's central bank encompass implementing and ensuring compliance with principles and standards which are established to promote safe, sound, and efficient payment and settlement systems.

Securities Regulation

The long-term profitability by exposure to operations in countries that have not complied with IOSCO objectives, which provide investor protection against manipulation and fraudulent practices.

Auditing

The investment's long-term profitability by whether or not the country uses International Standards on Auditing in setting national standards.

Fiscal Transparency

The investment's long-term profitability by its exposure or business operations in countries that do not have not some level of fiscal transparency such as publication of financial statistics, sound standards for budgeting, accounting, and reporting.

Corporate Governance

The investment's long-term profitability by whether or not the government recognizes and supports good corporate governance practices and whether it generally adheres to OECD principles.

Banking Supervision

The investment's long-term profitability from its exposure to countries that have not endorsed/complied with the Basel Core Principles. An endorsement includes an agreement to review supervisory arrangements against the principles and bring legislation in line with the principles where necessary.

Payment System: Principles

The investment's long-term profitability by whether a country complies with the 10 Core Principles for Systemically Important Payment Systems, which includes operational reliability, efficiency, real time settlement, final settlement in central bank money; and whether rules and procedures are clear and permit participants to understand the financial risks resulting from participation in the system.

Insolvency Framework

The investment's long-term profitability from its business operations and activities in specific countries with regard to bankruptcy reform or insolvency legislation.

Money Laundering

The investment's long-term profitability from exposure and whether or not a country has implemented an anti-money laundering regime in line with international standards; consideration should be given to compliance with the 40 recommendations in the Financial Action Task Force (FATF) on Money Laundering; and whether it is a member of FATF.

Insurance Supervision

Whether or not a country has a regulatory framework in line with International Association of Insurance Supervisors (IAIS) Principles.

Respect for Human Rights

The investment's long-term profitability from its business operations and activities in countries that lack or have a weak judicial System. Assess the risk to an investment's long-term profitability from its business operations and activities in a country that engages in or facilitates the following: arbitrary or unlawful deprivation of life, disappearance, torture and other cruel, inhuman, or degrading treatment or punishment, arbitrary arrest, detention, or exile, arbitrary interference with privacy, family, home, or correspondence, use of excessive force and violations of humanitarian law in internal conflicts. Consideration should be given to governmental attitude regarding international and non-governmental investigation of alleged violations of human rights.

Respect for Civil Liberties

The investment's long-term profitability from operations, activities, and business practices in countries or regions that do not allow freedom of speech and press, freedom of peaceful assembly and association, freedom of religion, freedom of movement within the country, allowance for foreign travel, emigration, and repatriation.

Respect for Political Rights

The investment's long-term profitability from business practices and activities in countries that do not allow their citizens the right to advocate for change to their government.

Discrimination Based on Race, Sex, Disability, Language, or Social Status

The investment's long-term profitability from business practices and activities on discrimination, such as discrimination against women, children, and persons with disabilities, national/racial/ethnic minorities, or indigenous people.

Worker Rights

The investment's long-term profitability from management and practices globally in the area of worker's rights; specifically the right of association, the right to organize and bargain collectively, prohibition of forced or bonded labor, status of child labor practices and minimum age for employment, acceptable work conditions, or human trafficking.

Environmental

The investment's long-term profitability from activities and exposure to environmental matters such as; depleting or reducing air quality, water quality, land protection and usage, without regard for remediation. Consideration should be given to how a company is dealing with the impact of climate change, including whether the government is taking steps to reduce its impact, exacerbating the problem, or oblivious to the risk.

War/Conflicts/Acts of Terrorism

The investment's long-term profitability from business exposure to a country or region that has an internal or external conflict, war, acts of terrorism or involvement in acts of terrorism, and whether the country is a party to international conventions and protocols.

Human Health

The risk to an investment's long-term profitability from business exposure to an industry or company that makes a product which is highly detrimental to human health so that it draws significant product liability lawsuits, government regulation, United Nations sanctions and focus, and avoidance by other institutional investments.

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Investment Resolution

WHEREAS, the Electorate of the State of California in November, 1992 amended Section 17 of Article XVI of the State Constitution by approval of Proposition 162; and

WHEREAS, the Teachers' Retirement Board embraces the concepts of the revised Section 17 of Article XVI of the State Constitution, which states that the Retirement System shall have sole and exclusive fiduciary responsibility over the assets of the public pension or retirement system; and

WHEREAS, the Teachers' Retirement Board has approved the Investment Plan which provides for wider diversification of the System's investment assets; and

WHEREAS, the Teachers' Retirement Board on the advice of its consulting actuary and the pension fund consultant has adopted the objective of achieving a long term annualized investment return of 3.50% in excess of the rate of inflation; and

WHEREAS, in the exercise of its fiduciary responsibilities the Board has considered and approved various classes of investments for the Teachers' Retirement Fund; therefore it is

RESOLVED, that the following investment classes are authorized if deemed prudent at the time of purchase:

Fixed Income Securities

Fixed Income investments as authorized by the Investment Management Plan and Fixed Income Policies and Guidelines and as authorized by the Investment Committee.

Equity Securities

Equity investments as authorized by the Investment Management Plan and Equity Policies and Guidelines and as authorized by the Investment Committee.

Real Estate

Real Property investments as authorized by the Investment Management Plan and Real Estate Policies and Procedures and as authorized by the Investment Committee.

Private Equity

Limited partnership investments in equity of fixed income securities as defined in the Private Equity Policies and Procedures and as authorized by the Investment Committee.

Absolute Return

Inflation linked fixed income securities and Infrastructure investments as defined by the Infrastructure Policy and Procedures, and as authorized by the Investment Committee.

Other Investments

Purchase of other types of investments may be made only with advance approval of the Investment Committee of the Teachers' Retirement Board.

Advance approval of the Investment Committee or its designates may be obtained by authorization for individual securities, or for a particular class of investments, or for specified investment managers of the Teachers' Retirement Fund.

RESOLVED further that all investments shall be made with the standards of care, skill, prudence and diligence prescribed in the revised Section 17 of Article XVI of the State Constitution. These tests will involve, importantly, full consideration of proper diversification of investments, adequacy of reliable information for analysis of investments, and suitability for the requirements of the Teachers' Retirement Fund. The Board endorses the principle that prudency of individual investments shall be judged in the context of the total Retirement Fund portfolio;

RESOLVED further, that cash reserves of the System are to be managed for the safety and convenience of the Teachers' Retirement Fund, in investments which are considered to be prudent money market instruments by internal investment managers;

RESOLVED further, that the services of at least one external independent organization (performance evaluator) will be retained to assess the investment results of portfolio managers and to compare such results with those of similarly situated institutions and such other standards of measurement as the Investment Committee deems appropriate;

RESOLVED further, that investments now held which no longer qualify for purchase under this Resolution may be retained if qualified under the Resolutions existing at their respective dates of acquisition;

RESOLVED further, that this Investment Resolution rescinds and replaces all previously adopted Investment Resolutions.

Adopted by the Teachers' Retirement Board on October 19, 1984

Revised to include foreign issuers within the S&P 500 Stock Index on April 19, 1985

Revised to reflect legislation prohibiting investment within South Africa on December 19, 1986

Revised to reflect passage of Proposition 162 and implementation of Global Tactical Asset Allocation Program on September 9, 1993

Revised to remove reference to South Africa investment restriction on May 11, 1994

Revised to incorporate changes to the Investment Policy and Management Plan and individual asset class policies on July 10, 2002

Revised to broaden Fixed Income and Equity reference on July 10, 2008

Revised to broaden Fixed Income and Equity reference on July 10, 2008

Revised to include Absolute Return asset class, August 13, 2009

Social Security Benefits and CalSTRS Members

Social Security Benefits and CalSTRS Members

Introduction

In 2010, Social Security paid retirement, survivor, and disability benefits to more than 53 million Americans. It is a broad-based program provided by the federal government. Most public educators in California do not participate in Social Security by virtue of their CalSTRS membership. CalSTRS members represent the largest single group of state and local government employees in the country who do not participate in the Social Security system.

Background

1935

Social Security was established as a modest retirement system for employees of private industry as the Old Age and Survivors Insurance program. Employees of state and local government were excluded from coverage when Congress passed the Social Security Act because of the constitutional question of levying the employer portion of the Social Security tax on state and local government.

1951

Public employees who were not in positions covered by a state or local retirement system were given the option of joining Social Security. Some states overcame this restriction by dissolving the existing retirement system, obtaining Social Security coverage for the jurisdiction's public employees, and then reinstating the retirement system with either the same or revised provisions.

1954

The Social Security program was amended to make coverage voluntary to public employees even if they were covered by a state plan. The choice was up to the states, subject to a majority vote of the members of the plan. If Social Security coverage was elected, all current and future employees would be covered.

1955

In California, an every-member vote was conducted by the California Teachers Association. (In 1955, administrators were also members of CTA.) The election resulted in rejection of Social Security by 4 to 1.

1956

Social Security coverage could be extended to current employees who wanted the coverage, while those who did not desire coverage could be excluded, if all newly hired employees were automatically covered. This provision was eventually extended to 20 states, including California (state legislation was passed for school classified and state employees to be covered under this provision in 1959 and 1961, respectively).

Also in 1956, the Disability Insurance program was added to provide income to disabled workers. The program has since been referred to as the Old-Age, Survivors, and Disability Insurance program.

1965

Title XVIII, "Health Insurance for the Aged," of the Social Security Act created the Medicare program, which established medical coverage for persons age 65 and older.

1977

Legislation was passed establishing the Government Pension Offset, which reduces Social Security spousal benefits under certain circumstances if the individual receives a pension based on employment not covered by Social Security. The offset became effective in 1982 and only if the spouse was not eligible for retirement as of that date.

1983

Legislation was passed establishing the Windfall Elimination Provision. This provided an alternate calculation, resulting in a lower Social Security benefit for retirees who primarily worked in employment not covered by Social Security yet had other jobs where they paid Social Security taxes long enough to become eligible for covered benefits.

1985

Mandatory Medicare for new hires of state and local governments became law as part of the Consolidated Omnibus Budget Reconciliation Act of 1985. All new hires in California public schools on or after April 1, 1986, are subject to a payroll tax equal to 1.45 percent of salary, and in return, they are covered by Medicare.

1986

The Tax Reform Act of 1986 made extensive amendments to Internal Revenue Code section 401 concerning the integration of qualified retirement plans with Social Security, including modifications to the general plan nondiscrimination requirements, which would subject plans to complex Internal Revenue Service regulations.

1988

As a result of Congressional consideration of mandatory Social Security for new hires, Chapter 743 (AB 147 – Elder) was enacted, which required CalSTRS to develop and submit to the Legislature an actuarially sound and funded alternative retirement plan that, when coupled with Social Security, would provide a member of CalSTRS with adequate retirement benefits. The resulting report to the California Legislature, dated March 1, 1989, presented four alternative retirement plan designs.

1989

State legislation made it optional for public school employers to hold elections for Medicare coverage for active employees hired before April 1, 1986. Individual employees could choose Medicare coverage if the employer offered the election. The effective date of the Medicare coverage could not be earlier than January 1, 1989.

1990

As part of the Omnibus Budget Reconciliation Act of 1990, Congress enacted a law requiring all public employees not covered by a state or local retirement plan meeting specified standards to be covered by Social Security. This led to the development of the CalSTRS Cash Balance Benefit Program for part-time teachers.

1997

A Social Security Advisory Council of 13 members with diverse views recruited from business, labor, and think tanks reported on the current state and the future of Social Security. The Council recommended that all newly hired state and local government workers should be required to pay into Social Security. It was estimated that mandating Social Security coverage for new hires would raise about $16.3 billion over a five-year period. However, this was not implemented.

2004

Effective January 1, 2005, public employers not covered by Social Security must disclose the effect of WEP and GPO to employees hired on or after January 1, 2005. The law requires newly hired public employees to sign a statement that they are aware of a possible reduction in their future Social Security benefit entitlement. Employers are required to provide a copy of the statement to CalSTRS.

Administration of the Social Security System

Social Security was designed to provide workers and their dependents protection against poverty in the event of declining income due to retirement, disability, or death. To achieve that purpose, Social Security redistributes income:

- From workers who have higher lifetime earnings to those who have lower earnings;
- From people who have no dependents to those who do have dependents;
- From unmarried wage earners and two-earner couples to one-earner couples; and
- From those with shorter life spans to those who live longer.

Although changes have been made over the years to improve benefits payable under Social Security, Social Security was never intended to meet all of a worker's financial needs. Rather, it was intended to supplement a worker's private pension and personal savings.

Funding

Social Security benefits are funded by payroll taxes collected from the salary earned by covered workers. Most, but not all, workers and their employers each pay a tax of 6.2 percent of the workers' employment earnings, up to a specified amount of earnings, which in 2011 is $106,800. Self-employed individuals pay both the worker and employer shares of the payroll tax for a total tax of 12.4 percent of earnings. With the payroll taxes collected, the federal government pays Social Security benefits to workers who retire or become disabled and to dependents of retired, disabled, and deceased workers.

In order to be entitled to Social Security benefits, a worker must have earned a minimum number of credits, generally 40 (equivalent to 10 years). A worker cannot earn more than four credits in any calendar year. The amount of earnings required to earn one credit in 2011 is $1,120, and four credits would be earned with wages of $4,480 in the year. The amount required to earn a credit is subject to annual increase based on wage inflation.

There are fundamental differences between pension benefits provided by many public and private employers and Social Security benefits provided by the federal government. A pension represents an agreement between the employer and employee. The benefit is earned by virtue of employment with the entity, which agrees to provide benefits in exchange for the services of the employee. In contrast, Social Security benefits are not earned through any particular employment agreement. They represent a promise from the federal government to help workers enhance their financial standing in their post-employment years. This promise is made in exchange for the Social Security payroll tax the workers pay during their working years.

Unlike CalSTRS, Social Security operates on a pay-as-you-go basis. The federal government pays Social Security benefits using the payroll tax collected from the salaries earned by individuals working at that time (the combined 12.4 percent of salary mentioned above).

On the other hand, CalSTRS members are credited with the amount of contributions they make to CalSTRS, and CalSTRS periodically determines the normal cost rate for crediting service. Benefits are funded at the time they are earned by the contributions paid by members and employers when the service is performed and liability for a benefit related to the service is assumed by CalSTRS. At retirement, member, employer, and state contributions, along with investment returns, help fund the member's benefit. Members who terminate employment and do not want a monthly benefit can request a lump-sum return of their own contributions with interest.

Exclusions from Coverage

All private sector employment is covered by Social Security. This means earnings from such employment (up to the maximum taxable earnings) are subject to the 6.2 percent Social Security payroll tax that is paid both by the employee and the employer. Public sector work in most states is now covered by Social Security. However, in some states (including California), neither workers nor employers pay the Social Security payroll tax on salary earned from certain state and local government employment. According to the 2009 Public Fund Survey, in the United States, approximately 25 percent of public employees, and 50 percent of teachers, do not participate in Social Security. In California, Connecticut, Illinois, Kentucky, Missouri, and Texas, most or all teachers and their employers do not contribute to Social Security. The earnings from such government employment are not included in the determination of Social Security benefits for these workers.

However, many CalSTRS members are eligible for Social Security benefits because they had other employment that was covered by Social Security or as the spouse or widow(er) of a worker who was covered by Social Security.

In California, public school teachers elected to decline Social Security coverage primarily because the benefits available to them from CalSTRS were greater than the benefits payable under Social Security. An individual earning $50,000 and retiring at age 66 in 2011 after 35 years of Social Security-covered employment can expect to receive a benefit that would replace about 42 percent of his or her salary. As an individual earns less under Social Security, his or her wage replacement ratio will increase. One who earned only $10,000 would achieve a replacement ratio of 84 percent. In contrast, a CalSTRS member of the same age with 35 years of service credit with CalSTRS would earn a benefit replacing 84 percent of his or her salary, regardless of what the salary was, before any additional benefit from the longevity bonus. CalSTRS formula rewards longevity with a progressively higher replacement ratio.

Social Security Benefits

There are two Social Security benefits that may be payable upon a covered worker's retirement – a worker's benefit and a spousal benefit.

Benefits for a Covered Worker

Social Security benefits for a worker are based, in part, on average monthly earnings for the highest 35 years of earnings under Social Security, indexed to account for changes in average wages since the year the earnings were received. Only earnings for which the worker paid the Social Security payroll tax are included. If the worker paid the Social Security tax for fewer than 35 years, annual earnings of zero are included for those years. These 35 years of earnings are averaged to determine the worker's average indexed monthly earnings. The full retirement age for people born before 1938 is age 65, gradually increasing to age 67 for those who were born in 1960 and later. Benefits are reduced permanently when a worker retires at an age younger than full retirement age, and the earliest a person can retire is age 62. The full retirement age under Social Security for persons who attain age 62 in 2011 is 66. A worker's Social Security benefit will continue to increase as long as the worker does not claim benefits with the maximum benefit at age 70.

The Social Security benefit formula for workers who attain age 62 in 2011 is the following:

> 90% of the first $749 of highest 35 years average salary, plus
>
> 32% of the next $3,768, plus
>
> 15% of the rest of the highest 35 years average salary.

This formula used by Social Security to determine benefits favors lower-paid workers by providing a benefit that represents a higher percentage of the low-wage earner's salary than the benefit paid to a person who earned a higher salary. In contrast, pensions from most private or public defined benefit plans determine an employee's pension based on an individual's age and years of service with the employer and the employee's salary. The longer an employee works for the specific entity and the higher the salary he or she earns, the higher the pension benefit is likely to be.

Benefits for a Spouse

The second Social Security benefit that can be paid is a benefit for the spouse, former spouse, or widow(er) of a worker who was covered under Social Security. As a social insurance program, Social Security pays an additional benefit if the spouse of a worker is financially dependent on the worker. Such benefits are intended to provide income for persons who have little or no pension from their own employment, and the benefits in such instances are based on the more highly paid worker's earnings from covered employment.

The spousal benefit is equal to 50 percent of the worker's Social Security benefit while they are both living but is reduced by the amount of any benefit paid based on the lower-paid spouse's own Social Security earnings record. If the worker predeceases the spouse, the dependent surviving spouse would receive 100 percent of the worker's benefit. If the spouse also qualifies for a Social Security benefit based on his or her own earnings, the spouse receives the greater of a benefit based on his or her own Social Security earnings record or the spousal benefit, but not both.

Example 1:

Worker's Social Security Benefit = $1,200/month

Non-working spouse's benefit = $600/month

If worker dies before the non-working spouse, the non-working spouse would receive $1,200/month.

Example 2:

Worker's Social Security Benefit = $1,200/month

Lower-working spouse's own Social Security Benefit = $400/month

Lower-working spouse's benefit based on worker's benefit = $200/month

(Total spousal benefit is equal to one-half of worker's Social Security Benefit)

As in example 1, if worker dies before the low-working spouse, the lower-working spouse would receive $1,200/month.

Differences between Social Security Benefits and CalSTRS Benefits

Both Social Security and CalSTRS provide benefits to people who retire or become disabled and their survivors and dependents. In addition, upon attaining eligibility for retirement, CalSTRS members may choose from a number of joint and survivor options that will provide a named beneficiary with a monthly allowance after the member's death. The member's retirement benefit is reduced under an option and the continuing monthly benefit for the surviving spouse or other beneficiary is equal to at least 50 percent (and as high as 100 percent) of the reduced amount payable to the retired member. A surviving spouse and eligible dependents may also be entitled to a benefit in the event the death of a CalSTRS member occurs before retirement. Social Security spousal or dependent benefits are paid to specific persons defined by law, not by the choice of the covered worker.

The Social Security benefit is based on the worker's average salary.The Social Security benefit is affected by the number of years worked only to the extent that if the worker paid the Social Security payroll tax for fewer than 35 years, the worker's benefit reflects one or more years with zero earnings.

As indicated in the table below, the social insurance component of the Social Security benefit formula pays a relatively lower benefit for a worker with higher average earnings. Although the worker with an average salary of $6,000 would have received a monthly benefit of $2,102, that dollar amount represents only 35 percent of the worker's average salary; whereas, the worker with an average salary of only $749 would have received a monthly benefit of $674, which represents 90 percent of that worker's average salary. Consequently, if the Social Security benefit were to be based on a level of earnings less than the level actually earned, the worker would receive a relatively higher benefit. Although an understatement of earnings would not happen where all employment is subject to the Social Security payroll tax, it could happen with respect to any public employment that is not subject to Social Security coverage. For this reason, Social Security reduces the benefits paid to many people who also receive a pension from employment that was not covered by Social Security.

Reductions in Social Security Benefits for CalSTRS Members

There are two offset provisions in the Social Security Act that may reduce or eliminate a CalSTRS member's expected Social Security benefit. They are known as the Windfall Elimination Provision and the Government Pension Offset.

Windfall Elimination Provision

The Windfall Elimination Provision (WEP) was enacted in 1983 to reduce the advantage previously realized by people who worked in jobs not covered by Social Security. The WEP is applied to the Social Security benefits of individuals

Comparison of Social Security Benefits

Average Indexed Monthly Salary	Social Security Benefit	Percentage of Worker's AIME Computed by Benefit Formula
$749	$674	90%
$1,500	$914	61%
$2,000	$1,074	54%
$3,200	$1,458	46%
$5,000	$1,952	39%
$6,000	$2,102	35%

Formula is based on the year the worker turns 62. In these examples, the worker was born in 1949, turns 62 in 2011 and retires at full retirement age in the future. Full retirement age for individuals age 62 in 2011 is 66. If the employee retires prior to full retirement age, the benefit would be permanently reduced.

who reach age 62 after 1985 and who are eligible for a public pension. Prior to 1983, the Social Security formula computed benefits for these individuals as if they were long-term, low-wage workers, which resulted in these workers receiving a higher wage replacement ratio than they would have received if all of their employment had been covered by Social Security. When the WEP is applied, a modified formula is used to compute benefits and reduce the previous advantage, thereby recognizing the fact that the individuals are not actually long-term, low-wage workers. Rather, for a portion of their working years these individuals did not pay the Social Security payroll tax on the salary they earned because their employment was not subject to Social Security coverage.

When the WEP is applied in determining Social Security benefits, the first tier percentage used in figuring a worker's benefit is reduced from 90 percent to 40 percent. Consider the following example of a worker whose average earnings from Social Security-covered employment is $3,200. Before the WEP is applied, the benefit would have been $1,458. However, after including the WEP in the determination of benefits, his or her benefit would have been reduced to $1,084. The benefits for these two scenarios are computed as follows:

Benefit without the WEP

90% of	$749	= $674
32% of	$2,451	= $784
15% of	$0	= $0.00
		$1,458

Benefit with the WEP

40% of	$749	= $300
32% of	$2,451	= $784
15% of	$0	= $0.00
		$1,084

As this example illustrates, the maximum monthly Social Security benefit reduction under the WEP for 2011 is $374.50. As long as a worker's average salary was at least $749, monthly Social Security benefits are reduced by $374.50 because the reduction appears in the first tier of the formula.

The reduction in benefits under the WEP reflects each year's increase or decrease in the wage index. The first tier amount was reduced in 2011 to $749, reducing the maximum WEP from 2010's $381 to $374.50, though historically, the WEP has gone up each year reflecting wage increases. Once a worker's benefit formula is established at age 62, it will not change even though the worker may retire at a later date.

There are some exceptions to the WEP. A worker is exempt from application of the WEP if he or she has 30 or more years of "substantial earnings" under Social Security. The amount of wages a worker must earn in a year to meet the threshold for substantial earnings changes annually. In 1954, a worker needed to earn $900 to have substantial earnings, but in 2010, a worker needed to earn $19,800 to have substantial earnings.

For workers who have between 21 and 30 years of substantial earnings, there is a graded application of the WEP. That is, the 90 percent factor in the first tier of the Social Security benefit formula is reduced on a sliding scale depending on the worker's years of substantial earnings. For a worker with 21 years of substantial earnings, the first tier percentage is 45 percent, rather than 40 percent. The first tier percentage increases by 5 percentage points for each additional year of substantial earnings, until the first tier percentage for a worker with 30 or more years of substantial earnings is 90 percent. In any case, the benefit reduction under the WEP cannot be more than one-half of the worker's pension benefit from the non-covered employment. However, if the individual were receiving a benefit of only $250 per month from CalSTRS, Social Security benefits would have been reduced by only $125 (one-half of $250) rather than $374.50 as prescribed by the formula with application of the WEP if the worker was age 62 in 2011.

Government Pension Offset

The Social Security benefit paid to a worker is based on the worker's earnings in covered employment. As a social insurance program, Social Security pays an additional benefit if the spouse of a worker is financially dependent on the worker. The additional benefit is equal to 50 percent of the higher wage earner's Social

Security benefit, and 100 percent of the higher benefit upon the worker's death.

A spouse or surviving spouse can receive the equivalent of a Social Security benefit based on his or her own earnings record or the earnings record of a husband or wife, whichever provides a higher benefit, but cannot receive full benefits based on both earnings records. Prior to enactment of the Government Pension Offset (GPO), many government employees received Social Security benefits based on their spouse's earnings, even though they were entitled to benefits based on their own non-covered government employment and were not financially dependent on a spouse. In this respect, there was disparate treatment of spouses who received government pensions based on their own work and spouses who had little or no employment history.

In 1977, the GPO was enacted to ensure that spousal and widow(er) benefits under Social Security would be paid only to individuals who are (or were) financially dependent on their spouses. Those who work long enough in non-covered employment to earn a pension of their own do not meet Social Security's limited career criterion. For these individuals, the modified benefit formula used under the GPO reduces the amount of Social Security benefits payable.

In 1977, the Social Security Act provided that Social Security benefits payable to a spouse or widow(er) were reduced on a dollar-for-dollar basis by the amount of any government pension the spouse or widow(er) received based on his or her own government employment if that employment had not been covered by Social Security. This offset was changed in 1983 from a full reduction to a reduction that is two-thirds of the amount of the government pension for persons who first became eligible for a public pension in 1983 or later. Theoretically, the GPO helps keep benefits provided to spouses and widow(er)s who also receive government pensions consistent with the benefits provided to spouses and widow(er)s who worked under Social Security-covered positions.

Example 1a:

CalSTRS member's pension = $1,500

CalSTRS member's Social Security Spousal Benefit = $1,000

GPO considers 2/3 of government pension (2/3 x $1,500 = $1,000)

After GPO, CalSTRS member would not receive Social Security Spousal Benefit

Example 1b:

Non-CalSTRS member's own Social Security Benefit = $1,500

Non-CalSTRS member's Social Security Spousal Benefit = $1,000

Non-CalSTRS member would not receive Social Security Spousal Benefit because his/her own Social Security benefit is higher.

Example 2a:

CalSTRS member's pension = $600

CalSTRS member's Social Security Spousal Benefit = $500

GPO considers 2/3 of government pension (2/3 x $600 = $400)

Therefore CalSTRS member would receive Social Security Spousal Benefit = $100 ($500–$400)

Example 2b:

Non-CalSTRS member's own Social Security Benefit = $600

Non-CalSTRS member's Social Security Spousal Benefit = $500

Without GPO, non-CalSTRS member would not receive a Social Security Spousal benefit because own Social Security benefit is higher.

Because both Social Security and CalSTRS may provide annual benefit adjustments, the Social Security benefit is recalculated every year.

Implications of the Two Offsets

Both the WEP and the GPO are intended to eliminate what is perceived as an excessive Social Security benefit that is paid to people who are receiving a pension from public service, such as California public education, that was not covered by Social Security. Although the intent of the two offsets is understandable, it is not clear that the specific reductions appropriately reduce the benefit. CalSTRS' analysis of the offsets indicated one of the weaknesses of the WEP is that the adjustment made to the Social Security benefit effectively assumed that a person was working under non-covered employment in any year in which no covered wages were paid. However, many CalSTRS members experience years with no compensation at all, such as when the member takes time off to raise a family.

In addition, these offsets may have a workforce implication. Because non-covered employment could affect future Social Security benefits, there may be increased difficulty in recruiting people in the middle of their career from pursuing a teaching career in California. CalSTRS is continually working to improve outreach efforts to educate members about the Social Security provisions. In addition, since 2005, federal law requires all new public educators to sign a document that discusses the two offsets, so they have earlier notice of their existence. Members cannot avoid the GPO and WEP by taking a refund. This strategy fails to avoid the offset because Social Security can apply the offsets if a person was eligible for a benefit even if he or she took a refund. In addition, the amount lost in CalSTRS benefits is often significantly more than the avoided reduction in Social Security benefits.

The Teachers' Retirement Board has expressed its concern on the impact of the WEP and the GPO on its members who may be relying on a Social Security benefit in retirement and submitted testimony to the U.S. Senate in November 2007 and January 2008 on the negative impact of these offsets to CalSTRS members. Further, the Board has supported the California Legislature's joint resolutions requesting that Congress pass and the President sign federal legislation that would repeal the WEP and GPO.

Mandatory Social Security

Mandating that all new state and local government employees, including CalSTRS covered employees, pay Social Security taxes has been suggested as a means to improve the fiscal viability of Social Security by increasing the resources available to pay benefits. The enactment of such a proposal, however, would have a major fiscal impact on new California teachers, employers, and CalSTRS. Currently, members contribute 8 percent and employers 8.25 percent of pay to fund DB benefits. If Social Security were mandated for CalSTRS members, there would be an additional burden of 6.2 percent of payroll to both California teachers and their employers, resulting in a total required contribution rate of 28.65 percent of payroll for new hires. School district administrators have indicated that a serious reduction in education services would be necessary in order to address the increased costs of mandatory Social Security coverage.

Mandatory Social Security coverage for new teachers could also necessitate the closure of the current CalSTRS defined benefit program to new members and the enactment of a lower cost program that complements Social Security. The CalSTRS DB Program is designed as a fully independent program with a retirement benefit equal to 2 percent of final compensation per year of service at age 60 plus ancillary disability and survivor benefits. At retirement, career educators can expect to have approximately 62 percent of their salary replaced by their DB benefits. If Social Security were provided alongside the current DB Program, an overlap of disability and survivor benefits and a much higher combined retirement benefit could result.

CalSTRS' consulting actuary estimated the impact of mandating Social Security on California public schools and CalSTRS in March 2005. The Actuary identified two different approaches to reduce DB Program benefits to complement a Social Security tax.

The first approach, termed the Level Benefit Approach, would reduce the DB Program benefit to offset the Social Security benefit, resulting in a combined benefit that is equivalent to the benefit currently provided by the DB Program. The Actuary estimates that, under this approach, mandatory Social Security coverage for new teachers would drive up total retirement costs for California school districts by an additional 7.5 percent of payroll simply to fund the same level of retirement benefits currently provided to California's teachers under the CalSTRS plan. As of the fiscal year ending June 30, 2010, approximately 1,400 local school districts in California had a combined annual payroll for teachers of more than $26.3 billion. This proposal would increase local school costs by as much as $2 billion annually, to provide California educators with the existing level of retirement benefits.

The second approach is called the Level Cost Approach. Under this approach, the benefits paid under the DB Benefit Program would be reduced to the level that could be funded by current member and employer contributions that would be remaining after paying the Social Security payroll tax. Rather than contribute 8 percent of earnings to CalSTRS, a member would contribute 6.2 percent as a Social Security payroll tax with the 1.8 percent balance contributed to the reduced DB Program benefit. Under this approach, the combined retirement benefits from Social Security and CalSTRS would be as much as 30 percent lower than a CalSTRS member now receives.

One particular complication of proposals to mandate Social Security on new employees is that the requirement to participate would be triggered when a person takes a previously uncovered job with a new employer. If, for example, an experienced teacher in one school district takes a job at another school district after the effective date of the change, that teacher's new job would now be covered by Social Security, and the employee and employer would have to pay an additional 6.2 percent in payroll taxes. Although CalSTRS could provide a new benefit structure for new members that did not result in higher total employer and employee contribution rate with Social Security, constitutional limitations on the impairment of benefits would preclude compelling existing members from opting into the new reduced CalSTRS benefit program. As a result, existing members, and their new employers, could find themselves paying substantially higher costs than existing members who remained with their current employers or those who are new to CalSTRS. This problem could be avoided if a requirement to participate in Social Security was limited to people who were not already members of a retirement system, such as CalSTRS, in which the service was not covered by Social Security.

Historically, the Teachers' Retirement Board has expressed its opposition to mandating Social Security for California teachers. In September 1997, the Board voted to oppose mandatory Social Security. In November 2007 and January 2008, CalSTRS submitted testimony to Congress, including the negative impacts of mandatory Social Security on California school employers and employees.

History of Legislation

History of Legislation

The "History of Legislation" summarizes a twenty-three-year history, from 1987 through 2010, of state legislation affecting CalSTRS, its members, and their beneficiaries. These legislative efforts are consistent with CalSTRS goals to provide: 1) a financially sound retirement system; 2) continuous improvement in the delivery of benefits and services to its membership; and 3) a maximum level of benefits and services within available funding. This chapter is also intended as a historical reference for interested parties.

2010 State Legislation (2009–10 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 194 (Torrico) Intro 2/2/09	Retirement Benefit Limit	Would have limited the salary on which the retirement benefit of any new CalSTRS member would be based to 125 percent of the California State Governor's salary as of December 2009, adjusted annually. Sponsor: Author	Governor Veto (9/30/10)
AB 1650 (Feuer) Intro 1/13/10	Public Contracts: Investing in Iranian Energy	Prohibits a person who is identified on a list created and maintained by the Department of General Services as being engaged in investment activities in the energy sector in Iran from submitting a proposal for or entering into or renewing a contract for goods and services with a state agency or with a local public entity for more than $1 million. Sponsor: Author	Chapter 573, Statutes of 2010
AB 1743 (Hernandez) Intro 2/8/10	Placement Agents	Prohibits a person from acting as a placement agent in connection with any potential system investment made by a state public retirement system unless that person is registered as a lobbyist and is in full compliance with the Political Reform Act of 1974 as the act applies to lobbyists. Sponsor: CalPERS, State Controller, State Treasurer	Chapter 668, Statutes of 2010
AB 1764 (Portantino) Intro 2/9/10	State Employee Salary Freeze	Would have prohibited a person employed by the state whose base salary on or after the effective date of the bill is greater than $150,000 per year from receiving a salary increase while employed in the same position or classification. Sponsor: Author	Died in Assembly
AB 1862 (Eng) Intro 2/12/10	Teachers' Retirement Board Election	Would have provided that the Teachers' Retirement Board member that is either a retired member of the Defined Benefit (DB) Program or a retired participant of the Cash Balance (CB) Benefit Program would be elected by retired members of the DB Program and retired participants of the CB Benefit Program. Sponsor: CFT	Governor Veto (9/24/10)

2010 State Legislation (2009–10 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 1899 (Eng) Intro 2/16/10	Reporting Transparency in Government Web site	Would have required state agencies, the Department of General Services and the Office of the State Chief Information Officer to post specified audits and contracts to the state's Reporting Transparency in Government Internet Web site. Would have required the Governor's Office to post every Statement of Economic Interest and travel expense claim for its senior staff, agency secretaries and undersecretaries and department heads to the same Web site. Sponsor: Californians Aware, SEIU, Local 1000	Governor Veto (9/25/10)
AB 1913 (Davis) Intro 2/16/10	Emerging Investment Managers	Would have required the Board, beginning January 1, 2012, to report annually to the Legislature the ethnicity and gender of emerging investment managers who participate in managing its investment portfolio. Would have required the Board to develop and include in the report plans and strategies to increase the participation of emerging managers until they manage at least 10 percent of the Board's actively managed portfolio. Sponsor: NAACP	Died in Senate
AB 2142 (Gilmore) Intro 2/18/10	CalSTRS Service Credit	Would have made a technical, nonsubstantive change to the provisions that require additional service performed by a member in excess of the service scheduled for a school year to be credited to the Defined Benefit Supplement Program. Sponsor: Author	Died in Assembly
AB 2260 (PER&SS) Intro 2/18/10	Technical Housekeeping	Makes various technical and conforming changes to the Teachers' Retirement Law to facilitate efficient administration of the State Teachers' Retirement Plan. Sponsor: CalSTRS	Chapter 207, Statutes of 2010
AB 2337 (Ammiano) Intro 2/19/10	Predatory Investment Practices	Would have prohibited CalSTRS and CalPERS from investing funds in a company engaged in predatory investment practices within rent-regulated housing. Sponsor: East Palo Alto Fair Rent Coalition, Tenants Together	Died in Senate
AB 2457 (Salas) Intro 2/19/10	Financial Literacy	Would have established the California Financial Literacy Fund in the State Treasury and authorized the Controller to administer the fund. The purpose of the fund would have been to support partnerships with the financial services community and governmental and nongovernmental stakeholders to improve California's financial literacy. Sponsor: State Controller, New America Foundation	Governor Veto (9/24/10)

2010 State Legislation (2009–10 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 2603 (Gaines) Intro 2/19/10	State Agency Regulations	Would have enacted the Smart Regulation Act. Would have required that a state agency determine how many regulations it imposes and reduce the total number of regulations it has identified. Would have required that any new regulation proposed by an agency also eliminate another regulation. Sponsor: Author	Died in Assembly
ABX8 5 (Budget) Intro 1/15/10	Change in General Fund Payment Dates	Revises the transfer dates of General Fund revenue to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund (Fund) and specifies that each payment be 50 percent of the annual appropriation. Establishes dates for the quarterly payments to the Fund for the Defined Benefit Program, which is continuously appropriated from the General Fund. Sponsor: Author	Chapter 1, Statutes of 2009–10 Eighth Extraordinary Session
ABX8 14 (Budget) Intro 1/15/10	Modification of General Fund Payment Dates	Among other things, amends section 16324 of the Government Code to delete an extraneous cross reference to CalSTRS, thereby removing CalSTRS from the provisions established by section 16324 as added by Chapter 1, Statutes of 2009–10 Eighth Extraordinary Session. Sponsor: Author	Chapter 10, Statutes of 2009–10 Eighth Extraordinary Session
ABX8 33 (Portantino) Intro 1/28/10	State Employee Salary Freeze	Would have prohibited state employees whose base salary is greater than $150,000 per year, until January 1, 2013, from receiving a salary increase in the same position or classification. Sponsor: Author	Died in Assembly
SB 1007 (Hancock) Intro 2/10/10	Elected Board Members: Political Reform Act	Requires elected members of the Teachers' Retirement Board to be subject to the Political Reform Act of 1974. Revises the definitions of "elective office" and "elective state office," thereby subjecting those candidates and committees primarily existing to support and oppose those candidates to the reporting requirements of the act. Makes conforming changes to provisions relating to the reporting of late contributions and late independent expenditures and the filing of committee organization, campaign and preelection statements. Authorizes the Fair Political Practices Commission to adopt regulations to tailor the reporting and disclosure requirements for these candidates and committees. Sponsor: State Controller	Chapter 633, Statutes of 2010

2010 State Legislation (2009–10 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 1271 (Romero) Intro 2/19/10	Retirement Board Conflicts of Interest	Codifies CalPERS conflict of interest regulation codes and makes them applicable to all public retirement boards. Sponsor: AFSCME	Chapter 702, Statues of 2010
SB 1425 (Simitian) Intro 2/19/10	Determination of Final Compensation	Would have limited the types of increases in compensation that count toward final compensation and reduced the benefit for any covered compensation earned during the first 180 days after retirement. Sponsor: Author	Governor Veto (9/30/10)
SBX8 5 (Budget and Fiscal Review) Intro 1/20/10	Change in General Fund Payment Dates	Would have revised the transfer dates of General Fund revenue to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund (Fund) and specified that each payment be 50 percent of the annual appropriation. Would have established dates for the quarterly payments to the Fund for the Defined Benefit Program, which is continuously appropriated from the General Fund. Sponsor: Author	Died in Assembly

2009 State Legislation (2009–10 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 53 (Portantino) Intro 12/3/08	State Employee Salary Freeze	Would have frozen any state employee's salary whose base salary is greater than $150,000 until January 1, 2012, and prohibited them from receiving payment for overtime work. Sponsor: Author	Died in Assembly
AB 232 (Hill) Intro 2/5/09	CalSTRS Green Technology	Authorizes the Board to implement technology improvements in the delivery of benefits and services to members, participants, and beneficiaries. Sponsor: CalSTRS	Chapter 90, Statutes of 2009
AB 360 (Ma) Intro 2/23/09	Part-Time Community College Instructor Study	Would have encouraged CalSTRS to examine the feasibility and cost-effectiveness of either creating a new program for part-time community college instructors or making appropriate modifications to the Defined Benefit Program to more appropriately reflect the career of a part-time community college instructor. Sponsor: California Federation of Teachers	Died in Assembly
AB 368 (Skinner) Intro 2/23/09	School Lands Leases: Quitclaims	Would have made the quitclaim or relinquishment of a lease of state lands effective upon completion of the abandonment of all facilities and reclamation of the lease premises. Sponsor: State Lands Commission	Governor Veto (10/11/09)
AB 399 (Brownley) Intro 2/23/09	Furloughed State Employees	Preserves the retirement benefit of furloughed state employees.	Chapter 240, Statutes of 2009
AB 506 (Furutani) Intro 2/24/09	Post-Retirement Earnings Limit	Conforms to federal law, which prohibits pension plans from distributing benefits before either the normal retirement age or a separation from service. Requires retired members who are under the normal retirement age of 60 to have their retirement benefit reduced by the amount earned in CalSTRS-covered employment for the first six calendar months following their retirement effective date or until their 60th birthday, whichever is sooner. Requires this deduction to begin July 1, 2010, regardless of retirement effective date. Extends the sunset dates for the post-retirement earnings limit exemptions to June 30, 2012, and expands eligibility, where applicable, to members who retired on or before January 1, 2009. States that the vacant administrative position emergency exemption shall not apply to a retiree whose termination is the basis for the vacant administrator position. Sponsor: CalSTRS	Chapter 306, Statutes of 2009

2009 State Legislation (2009–10 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 654 (Mendoza) Intro 2/25/09	Penalties and Interest	As of July 1, 2010, modifies the definition of "regular interest." Clarifies the application of regular interest to the installments that employers make when paying for employee retirement incentives. Establishes a basis for the consistent assessment of interest and penalties for late payment of contributions and late submission of reports. Sponsor: CalSTRS	Chapter 249, Statutes of 2009
AB 1267 (Eng) Intro 2/27/09	Longevity Bonus Sunset Date Extension	Would have extended the sunset date for eligibility for the longevity bonus to July 1, 2016. Sponsor: California Federation of Teachers	Died in Assembly
AB 1584 (Hernandez) Intro 5/26/09	Placement Agents	Expands post-employment restrictions for specified CalSTRS employees or Board members and requires additional disclosures of placement agent fees and activities to prevent "pay-for-play" activities with public pension investments and increases transparency and accountability. Sponsor: Author	Chapter 301, Statutes of 2009
AJR 10 (Torlakson) Intro 3/9/09	WEP/GPO Repeal	Requests the President and the United States Congress to enact the Social Security Fairness Act of 2009, which would repeal the WEP and the GPO of the Social Security Act. Sponsor: CTA, CRTA, CFT	Resolution Chapter 103, Statutes of 2009
SB 280 (Calderon) Intro 2/24/09	Retirement Incentive Exemption for Substitute Teachers	Would have provided that a member shall not forfeit his or her additional credit for service from a retirement enhancement if he or she is reemployed within five years after retirement as a substitute teacher by a school district from which he or she retired, if they terminate employment with that employer and provide CalSTRS an affidavit under penalty of perjury that they were unaware of the prohibition and they returned to work at the request of the employer. Sponsor: Author	Died in Senate
SB 634 (PE&R) Intro 2/27/09	Technical Housekeeping	Makes various technical and conforming changes to the Teachers' Retirement Law to facilitate efficient administration of the State Teachers' Retirement Plan. Sponsor: CalSTRS	Chapter 304, Statutes of 2009

2008 State Legislation (2007–08 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 36 (Niello) Intro 12/4/06	Benefit Fraud	Would have made it a crime to make false material statements or representations in applying for CalSTRS benefits, or knowingly accept benefit payment to which the person was not entitled. Sponsor: Author	Died in Senate
AB 498 (Hernandez) Intro 2/20/07	State Contract Eligibility: Sudan	Prohibits a scrutinized company, as defined, that is involved in specified activities in Sudan, from entering into a contract with a state agency for goods and services. Stipulates that a state agency must require a company that submits a bid to self-certify that it is not a scrutinized company. Permits termination of a contract for false certification and requires the Attorney General to determine whether to bring civil actions to recover costs. Sponsor: Save Darfur Coalition	Chapter 272 Statutes of 2008
AB 591 (Dymally) Intro 2/21/07	Community College Part-Time Employees	Allows the California Community Colleges to hire temporary part-time employees to teach up to 67 percent, rather than 60 percent, of the hours per week that constitute a regular, full-time assignment. Sponsor: California Part-Time Faculty Association	Chapter 84, Statutes of 2008
AB 789 (Mullin) Intro 2/22/07	Contributions to the SBMA	Would have provided that a certain percentage of creditable compensation shall be credited to the SBMA for purchasing power protection. Sponsor: California Retired Teachers Association	Died in Senate
AB 865 (Davis) Intro 2/22/07	State Agency Live Customer Service Act	Would have required each state agency to answer an incoming call with a live customer service agent or automated telephone answering equipment with an automated prompt that allows a caller to select the option to speak with a live customer service agent. Sponsor: Author	Governor Veto (9/28/08)
AB 1389 (Budget) Intro 2/23/07	Omnibus State Government Trailer Bill	Increases the targeted non-vested purchasing power benefit from 80 percent to 85 percent, but gives the CalSTRS board authority to adjust that target between 80 and 85 percent based on long-term actuarial projections. Reduces state General Fund payments into the SBMA by $66 million in 2008–09, $70 million in 2009–10, $71 million in 2010–11, and $72 million in 2011–12 and thereafter. Sponsor: Assembly Committee on Budget	Chapter 751, Statutes of 2008

2008 State Legislation (2007–08 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 1480 (Mendoza) Intro 2/23/07	CalSTRS Roth IRA	Authorizes CalSTRS to offer a Roth IRA, as part of its Pension2® Program, to receive funds converted from a Roth 403(b) account. Sponsor: CalSTRS	Chapter 432, Statutes of 2008
AB 1844 (Hernandez) Intro 1/28/08	Benefit Fraud (Public Employee Benefits)	Makes it a crime for a person to make false material statements in connection with retirement benefits and applications. Requires public agencies to report OPEB information to the State Controller, and the Controller to develop cost-efficient procedures to collect and report this information. Sponsor: Governor's Public Employee Post-Employment Benefits Commission	Chapter 369, Statutes of 2008
AB 1967 (Torrico) Intro 2/14/08	Private Equity Investment Act	Would have prohibited CalSTRS and CalPERS from investing in a private equity company that is owned by a sovereign wealth fund, or in a fund managed directly or indirectly by a private equity company that is owned by a sovereign fund, if the country(ies) associated with that sovereign wealth fund does not meet specified human rights criteria. Sponsor: SEIU	Died in Assembly
AB 2023 (Houston) Intro 2/15/08	Public Employee Disability Benefits	Requires that CalSTRS, CalPERS, and other pension boards use exclusively medical information when making a disability retirement decision. Sponsor: Author	Chapter 370, Statutes of 2008
AB 2191 (Mullin) Intro 2/20/08	Expanded CalSTRS 403(b) Programs: State Employees	Deletes the ability of the State Controller's Office to purchase annuity contracts on behalf of certain state employees and extends CalSTRS' 403(b) programs – Pension2®, 403bCompare, and 403bComply – to those state employees. Sponsor: State Controller	Chapter 230, Statues of 2008
AB 2390 (Karnette) Intro 2/21/08	Postretirement Earnings Limit Exemptions and Foreign Service Credit	Extends the sunset date on the postretirement earnings limit exemptions until June 30, 2010, extends certain exemptions to members who retired for service on or before January 1, 2007, and permits members retired between June 1, 2007, and December 31, 2007, to purchase foreign service credit. Sponsor: CalSTRS	Chapter 494, Statutes of 2008
ABX3 8 (Budget) Intro 2/4/08	2007 State Budget Act: SBMA Transfer Date	Identical to SBX3 6, this bill enacts legislation necessary to implement changes to the 2007–08 Budget and implement policy changes affecting the 2008–09 Budget. Specifies the 2008–09 SBMA General Fund transfer shall be made on November 1st. Sponsor: Governor	Chapter 6, Statutes of 2007–08 Third Extraordinary Session

2008 State Legislation (2007–08 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 242 (Torlakson) Intro 2/14/07	Claims Against the State	Appropriates funds to pay for litigation costs incurred by CalSTRS and expresses the Legislature's intent to appropriate funds in future fiscal years for repayment of interest due to CalSTRS on underpayment of the SBMA appropriation. Sponsor: Author	Chapter 59, Statues of 2008
SB 1066 (Migden) Intro 1/10/08	Domestic Partnerships	Would have deleted the requirement that domestic partners be of the same sex or, if of different sexes, that one of them be at least 62 years of age. Sponsor: Author	Died in Senate
SB 1123 (Wiggins) Intro 1/28/08	California Actuarial Advisory Panel	Requires the Legislature to secure the services of an enrolled actuary in determining the costs of other postretirement benefits. Creates the California Actuarial Advisory Panel to provide impartial and independent information on pensions, other post-employment benefits, and best practices to the Legislature, Governor, and public agencies. Sponsor: Governor's Public Employees Post-Employment Benefits Commission	Chapter 371, Statutes of 2008
SB 1376 (Wiggins) Intro 2/21/08	Technical Housekeeping	Would have made various technical and conforming changes to the Teachers' Retirement Law to facilitate efficient administration of the State Teachers' Retirement Plan. Sponsor: CalSTRS	Governor Veto (9/26/08)
SB 1488 (Calderon) Intro 2/21/08	Substitute Teacher Exemption	Would have provided that a member shall not forfeit his or her two years of additional service credit for early retirement if he or she is reemployed within five years after retirement as a substitute teacher by a school district from which they were retired. Sponsor: Author	Died in Senate
SB 1550 (Florez) Intro 2/22/08	Corporate Climate Change Disclosure Statement	Would have required the Controller, in consultation with the investment community, to establish an investor-based climate change disclosure standard for use by publicly held corporations doing business in California. Sponsor: Author	Died in Senate
SBX3 6 (Budget and Fiscal Review) Intro 2/7/08	2007 State Budget Act: SBMA Transfer Date	Identical to ABX3 8, this bill would have enacted legislation necessary to implement changes to the 2007–08 Budget and implement policy changes affecting the 2008–09 Budget. Would have specified the 2008–09 SBMA General Fund transfer shall be made on November 1st. Sponsor: Governor	Died in Senate

2007 State Legislation (2007–08 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 221 (Anderson) Intro 1/29/07	Investments in Iran	Prohibits CalSTRS and the CalPERS from investing in companies with business operations in Iran and requires each pension system to sell or transfer any investments in a company with business operations in Iran. When the U.S. repeals its sanctions against Iran, the pension Boards shall notify the Secretary of State, and the prohibitions and requirements in this bill will be repealed. Sponsor: Author	Chapter 671, Statutes of 2007
AB 554 (Hernandez) Intro 2/21/07	Pre-funding of Post-Employment Health Care Benefits	Permits the CalPERS Board of Administration to authorize a public agency to participate in a CalPERS program to pre-fund the health benefits the employer provides to its retirees. Sponsor: CalPERS	Chapter 318, Statutes of 2007
AB 754 (PER&SS) Intro 2/22/07	Investment Officer Compensation	Approves the side letter to the memorandum of understanding between the State and state bargaining units that, among other things, amends Investment Officer compensation. Sponsor: Department of Personnel Administration	Chapter 321, Statutes of 2007
AB 757 (PER&SS) Intro 2/22/07	Technical Housekeeping	Makes a variety of technical and conforming changes to the Teachers' Retirement Law to facilitate efficient administration of the System. Sponsor: CalSTRS	Chapter 323, Statutes of 2007
AB 861 (Tran) Intro 2/22/07	Divorce Protections	Protects the economic rights of the parties to a divorce by allowing the court a wider range of protection options prior to final distribution of their property. Sponsor: Family Law Section of the State Bar	Chapter 141, Statutes of 2007
AB 1316 (Bass) Intro 2/23/07	Service Retirement Pending Disability	Permits a DB member to apply for and receive a service retirement pending a determination of his or her application for disability, subject to requirements and restrictions. Sponsor: CalSTRS	Chapter 332, Statutes of 2007
AB 1317 (Mullin) Intro 2/23/07	Compensation for General Counsel	Requires the Teachers' Retirement Board to fix compensation of CalSTRS General Counsel. Sponsor: CalSTRS	Chapter 333, Statutes of 2007

2007 State Legislation (2007–08 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 1393 (Leno) Intro 2/23/07	Public Records Act Requests	Would have required state agencies to include specified information on their websites regarding how to request records pursuant to the CA Public Records Act; would have established a limited-term advisory board with the Department of Justice to oversee website standards and report information to the Governor and the Legislature. Sponsor: CalAware	Governor Veto (10/11/07)
AB 1432 (Soto) Intro 2/23/07	Federal Law Conformity	Conforms Teachers' Retirement Law to Federal Law: allows non-participating domestic partners to roll-over benefit distributions; permits purchase of foreign teacher service credit, subject to limitations. Sponsor: CalSTRS	Chapter 513, Statutes of 2007
AJR 5 (Hernandez) Intro 2/1/07	Repeal of the Social Security Pension Offsets	Requests the President and the Congress to enact the Social Security Fairness Act which would repeal the Government Pension Offset and the Windfall Elimination Provision from the Social Security Act. Sponsor: Author	Resolution Chapter 116, Statutes of 2007
SB 461 (Ashburn) Intro 2/21/07	Investments in a "Foreign Terrorist State"	Would have prohibited CalSTRS and CalPERS from investing public employee retirement funds in companies with business operations in a "foreign terrorist state." Would have required the boards of these retirement systems to sell or transfer any investments with these companies and report to the Legislature regarding these investments. Sponsor: Author	Died in Senate
SB 901 (Padilla) Intro 2/23/07	Postretirement Employment and Earnings	Extends the current exemptions on post-retirement earnings limit until June 30, 2009, and repeals them on January 1, 2010. Sponsor: CalSTRS & LAUSD	Chapter 353, Statutes of 2007

2006 State Legislation (2005–06 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 2215 (Goldberg) Intro 2/22/06	Benefits for LAUSD board members	Would have required the Los Angeles Unified School District to provide compensation to trustees who serve on its governing board according to a formula based on their level of duties. It also would have specified that trustees must receive the same employment benefits, including retirement benefits, as credentialed LAUSD employees. Sponsor: Author	Died in Assembly
AB 2462 (Mullin) Intro 2/23/06	Administrative and compliance services for employer deferred compensation plans	Specifies key components of due diligence that school employers must perform during their selection of a third party administrator for their deferred compensation plans, including CalSTRS. Authorizes the Board to contract to supply administrative and compliance services for employer-sponsored deferred compensation plans to school districts that contract with CalSTRS for those services. Allows the costs for TPA services to be paid by participants, establishes a start up funding mechanism and requires school districts to review ability of TPAs to meet specified standards. Sponsor: CalSTRS	Chapter 780, Statutes of 2006
AB 2570 (Arambula) Intro 2/23/06	Investments	Among other things, would have required large public pension funds report annually to the Controller on investments made in California and California's emerging domestic markets. Also stated legislative intent that local retirement systems invest in those emerging domestic markets within the state. Sponsor: California Association for Local Economic Development	Governor Veto (9/29/06)
AB 2793 (Arambula) Intro 2/24/06	Retiree health and welfare benefits; actuarial standards for funding	Would have required actuarial standards be developed by the Department of Education and used by school districts to report costs associated with retiree health and welfare benefits and be included in the criteria adopted by the Board of Education to identify schools experiencing financial difficulties. Also would have required the governing board of each school district to certify in its annual statements, its ability to pay the normal cost of retiree health and welfare benefits for the current and succeeding two fiscal years. Sponsor: Author	Died in Assembly

2006 State Legislation (2005–06 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 2941 (Koretz) Intro 2/24/06	Investments; Sudan	Prohibits CalSTRS and CalPERS from investing in companies with business operations in Sudan that meet specified criteria, and establishes procedures for identifying, engaging and divesting from such companies. Indemnifies from the General Fund all past, present, future board members, officers, employees and investment managers from liability sustained by reason of any decision not to invest in companies with business operations in Sudan pursuant to the bill. Sponsor: Sacramento Committee on Conscience; Sudan Divestment Task Force	Chapter 442, Statutes of 2006
AB 2970 (Pavley) Intro 2/24/06	Postretirement Earnings Limitation	Among other things, would have permanently eliminated the postretirement earnings limit for retired DB members who are at or over age 60; also would have established a permanent exemption for retired members under age 60 who wait a period of 12 consecutive months after retiring before returning to perform creditable service. Sponsor: LAUSD	Died in Assembly
ACA 5 (Richman) Intro 12/6/04	Mandatory Defined Contribution Plan	Beginning July 1, 2007, would have required all state, school and local public employers to offer their new employees only defined contribution retirement plans, and allows current public employees to transfer money from their existing defined benefit retirement plan to the employer-sponsored defined contribution plan offered to new employees. Sponsor: Author	Died in Assembly
ACA 23 (Richman) Intro 9/8/05	Defined Contribution Plan	Would have established a new defined benefit retirement program with a voluntary supplementary defined contribution component under the Teachers' Retirement Plan for credentialed employees hired on or after July 1, 2007. Sponsor: Author	Died in Assembly
ABX1 3 (Richman) Intro 4/14/05	Implementation of ACAX1 8	Among other things, would have implemented ACAX1 8 that would establish defined contribution and hybrid retirement programs under the Teachers' Retirement Plan for credentialed employees hired on or after July 1, 2007. Also would have required any amendment to the DB Program benefit formula that determines retirement benefits to apply only to service performed by the member on and after the effective date of the constitutional amendment. Sponsor: Author	Died in Assembly

2006 State Legislation (2005–06 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
ABX1 5 (Torrico) Intro 5/24/05	Benefit Fraud	Would have imposed criminal and civil penalties on CalSTRS members, beneficiaries, participants and the people who assist them, that make false material statements or representations in order to receive CalSTRS benefits. Also would have established a crime for a person to accept a payment from CalSTRS with the knowledge that he or she is not entitled to the benefit.	Died in Assembly
ACAX1 1 (Richman) Intro 1/6/05	Mandatory Defined Contribution Plan	Would have required all state, school and local public employers to offer their new employees, beginning July 1, 2007, only defined contribution retirement plans, and allowed current public employees to transfer money from their existing defined benefit retirement plan to the employer-sponsored defined contribution plan offered to new employees. Sponsor: Governor	Died in Assembly
ACAX1 8 (Richman) Intro 4/14/05	Defined Contribution and Hybrid Plans	Beginning July 1, 2007, would have required all state, school and local public employers to offer their new employees the choice of hybrid or defined contribution retirement plans, and permitted current public employees to transfer money from their existing defined benefit retirement plan to the employer-sponsored retirement plan offered to new employees. Sponsor: Author	Died in Assembly
SB 1124 (Torlakson) Intro 1/4/06	Postretirement Earnings Limitation	Would have, among other things, created a new exemption to the postretirement earnings limit for a member who had been retired for at least 6 months and provided mentoring services in a high-priority school. Sponsor: Author	Died in Assembly
SB 1207 (Alarcon) Intro 1/26/06	Corporate Governance	Allows publicly-traded, California Corporations that do not allow cumulative voting, to elect a person running unopposed for its board of directors by majority vote. Sponsor: CalSTRS, CalPERS	Chapter 871, Statutes of 2006

2006 State Legislation (2005–06 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 1457 (Simitian) Intro 2/23/06	Retiree Health and Welfare Benefits; Actuarial Standards	Would have required the Department of Education to develop actuarial standards for school districts that provide their retired employees health and welfare benefits, and report to the Legislature and Department of Finance on districts' progress annually. Also would have required districts to perform an actuarial study of their retiree health and welfare benefit liabilities, identify a funding source and provide funding in their budgets, and report the results to their county office of education. Sponsor: Author	Died in Senate
SB 1465 (Soto) Intro 2/23/06	Minor Policy Bill	Establishes a threshold for the payment and collection of benefit adjustments; provides a monthly benefit to dependent children under the Coverage B Survivor Benefits Program when there is no surviving spouse or partner at the time of the active member's death; changes service credit purchase and benefit calculation provisions; allows members to purchase up to two years of permissive service for time spent teaching in the Peace Corps; and eliminates two redundant reports to the Legislature. Sponsor: CalSTRS	Chapter 654, Statutes of 2006
SB 1466 (PE&R) Intro 2/23/06	Technical Housekeeping Bill	Makes a variety of technical and conforming changes to the Teachers' Retirement Law to facilitate efficient administration of the System. Sponsor: CalSTRS	Chapter 655, Statutes of 2006
SB 1514 (Maldonado) Intro 2/23/06	Retiree Health and Welfare Benefits; Actuarial Standards	Would have required all school districts or county offices of education that provide health and welfare benefits to their retired employees to report the accrued, unfunded cost of the benefits to the district's governing board on an annual basis, regardless of whether the benefit continues or stops once the retiree reaches age 65. Sponsor: Author	Died in Senate
SJR 15 (Dutton) Intro 6/21/05	Social Security Offsets	Requests that the President and Congress of the United States enact legislation that would remove the burdensome effects of the Government Pension Offset and the Windfall Elimination Provision from the Social Security Act. Sponsor: CRTA	Resolution Chapter 62, Statutes of 2006

2005 State Legislation (2005–06 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 55 (Mullin) Intro 12/6/04	Supplemental Benefit Maintenance Account	Would have increased contributions to the Supplemental Benefit Maintenance Account beginning in fiscal year 2008–09 through 2012–2013 to offset reduced contributions in 2003–04. Sponsor: Teachers' Retirement Board, CTA, CRTA	Governor Veto (10/7/05)
AB 224 (PER&SS) Intro 2/3/05	Technical Housekeeping	Makes a variety of technical and conforming changes to the Teachers' Retirement Law to facilitate efficient administration of the System. Sponsor: Teachers' Retirement Board	Chapter 351, Statutes of 2005
AB 256 (De La Torre) Intro 2/8/05	Study; Statewide Health Care Pool for School Employees	Among other things, requires CalPERS consult with CalSTRS to evaluate the feasibility of creating single statewide health care pool for all school employees and report its findings to the Legislature. Sponsor: CSEA	Chapter 708, Statutes of 2005
AB 310 (Umberg) Intro 2/10/05	Defined Contribution Retirement Plans	Would have established performance requirements and fee limits on providers of mandatory defined contribution retirement plans to public employees. Sponsor: CSEA	Governor Veto (9/29/05)
AB 1044 (Aghazarian) Intro 2/16/05	Elected Public Officers	Requires an elected public officer convicted of a felony arising out of his or her official duties to forfeit the retirement benefits that accrue on or after January 1, 2006, solely as a result of his or her service in office and shall receive only the employee contributions made during his or her term. Sponsor: Author	Chapter 322, Statutes of 2005
ACR 11 (Dymally) Intro 1/31/05	Investments in Sudan	Encourages CalSTRS and CalPERS to persuade companies doing business in Sudan to avoid taking actions that promote or enable human rights violations in that country. Sponsor: Author	Resolution Chapter 98, Statutes of 2005
SB 439 (Simitian) Intro 2/17/05	Public Records Act	Specifies which information relating to public retirement systems alternative investments is subject to disclosure or protected from disclosure under the California Public Records Act. Sponsor: University of California; CalPERS	Chapter 258, Statutes of 2005

2005 State Legislation (2005–06 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 525 (Torlakson) Intro 2/18/05	Termination Benefits	Reduces the one-year waiting period to six consecutive months for both members of the DBS Program and participants of the CB Benefit Program to receive a termination benefit; also prohibits the payment of more than one termination benefit under either program during a single five-year period. Sponsor: CalSTRS	Chapter 661, Statutes of 2005
SB 973 (Kuehl) Intro 2/2/05	Registered Domestic Partnership	Makes various technical changes to the provisions of the Teachers' Retirement Law, which implemented the California Domestic Partner Rights and Responsibilities Act of 2003 (AB 205), and clarifies that a DB members' registered domestic partners must sign preretirement option election forms before they are submitted to CalSTRS. Sponsor: Equality California	Chapter 418, Statutes of 2005

2004 State Legislation (2003–04 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 212 (Maze) Intro 1/29/03	Retirement Incentive Program	Would have established a new retirement incentive program to allow school districts to add four years of service credit to those DB members who agree to retire prior to May 16, 2007. Sponsor: Author	Died in Senate
AB 265 (Mullin) Intro 2/4/03	Supplemental Benefit Maintenance Account	Would have increased contributions to the SBMA beginning in fiscal year 2004–05 through 2010–11 to offset reduced contributions in 2003–04. Sponsor: CalSTRS, CTA	Died in Senate
AB 419 (PER&SS) Intro 2/14/03	Teachers' Retirement Board	Allows CB Benefit Program participants to vote in all Board elections; specifies candidates must run for the seat in which they accrued the most service during the prior school year and extends reimbursement provisions. Sponsor: CalSTRS, CFT, CTA, ACSA, FACCC	Chapter 11, Statutes of 2004
AB 849 (Lieber) Intro 2/20/03	Investments	Would have required state or local agencies that invest public funds with, or purchase financial instruments from, financial institutions utilize financial institutions that have a specified rating under the federal Community Reinvestment Act. Sponsor: Author	Died in Assembly
AB 1209 (Nakano) Intro 2/21/03	Public Records Act	Makes minor changes to the Public Records Act requirements related to agency plans in dealing with acts of terrorism or other criminal acts. Sponsor: State and Consumer Services Agency, Office of Homeland Security	Chapter 8, Statutes of 2004
AB 1586 (PER&SS) Intro 2/21/03	Community College Employees	Permits the recalculation of benefits paid to part-time adult education and community college employees who were members of the DB Program prior to July 1, 1996. Sponsor: CalSTRS, FACCC	Chapter 442, Statutes of 2004
AB 1852 (Mullin) Intro 1/29/04	Partial Lump-Sum	Expands eligibility for the partial lump-sum benefit. Sponsor: CTA	Chapter 935, Statutes of 2004
AB 2036 (La Suer) Intro 2/17/04	Concurrent Retirement; Benefit Enhancements	Would have allowed Community College instructors who are concurrent members of the DB Program and CalPERS to use service credit in both systems to qualify for CalSTRS benefit enhancements. Sponsor: Author	Died in Assembly

2004 State Legislation (2003–04 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 2232 (PER&SS) Intro 2/18/04	Service Credit from Unused Sick Leave	Would have changed the divisor used in the calculation to convert accumulated unused sick leave to service credit for members of the DB Program by requiring the divisor reflect the appropriate minimum full-time equivalent for each class of employees. Sponsor: FACCC	Died in Senate
AB 2233 (PER&SS) Intro 2/18/04	Technical Housekeeping	Makes a variety of technical and conforming changes to the Teachers' Retirement Law to facilitate efficient administration of the system. Sponsor: CalSTRS	Chapter 912, Statutes of 2004
AB 2391 (Koretz) Intro 2/19/04	Legal Services Contracts	Would have prohibited state agencies from contracting for legal services if the hourly rate is more than 250 percent the hourly rate billed to state agencies for attorneys in State Bargaining Unit 2. Sponsor: CA Attorneys, Administrative Law Judges, Hearing Officers and Deputy Labor Commissioners in State Employment	Died in Assembly
AB 2554 (Pavley) Intro 2/20/04	Postretirement Earnings Exemption	Extends for up to two years an existing exemption for retired DB Program members who fill a vacant administrative position in an emergency situation. Extends required retirement date and sunset date for other existing exemptions. Sponsor: L.A. Unified School District	Chapter 934, Statutes of 2004
AB 2680 (Negrete McLeod) Intro 2/20/04	CalSTRS Headquarters Facility	Expands the geographic area in which CalSTRS may locate its headquarters facility within the Sacramento metropolitan area to include eastern Yolo County. Sponsor: CalSTRS	Chapter 378 Statutes of 2004
AB 2752 (Chu) Intro 2/20/04	Corporations	Would have required corporations doing business in California to make their election procedures available to shareholders; post them on their Web site, and file them with the California Secretary of State. Sponsor: Secretary of State	Governor Veto (9/22/04)
AB 2753 (Corbett) Intro 2/20/04	Retirement Incentive Program	Would have prohibited any member who retires with a Retirement Incentive Program benefit from accepting any job for up to one year from after their retirement date from the district they retire from and would have made technical amendments to the incentive programs established by Chapter 313, Statutes of 2003 (AB 1207 – Corbett). Sponsor: Author	Died in Senate

2004 State Legislation (2003–04 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 3076 (Mullin) Intro 3/11/04	DB Program Mandatory Membership	Bases the threshold for mandatory membership in the DB Program on a community college employee's basis of employment for the school year, rather than on the amount of service performed in one pay period. Sponsor: CalSTRS, CTA, FACCC	Chapter 474, Statutes of 2004
AB 3094 (PER&SS) Intro 3/11/04	Direct Deposit Funds	Permits state and county retirement systems to recover funds sent by direct deposit to financial institutions, following the death of the person entitled to receipt of the benefits. Sponsor: CalPERS, CalSTRS	Chapter 506, Statutes of 2004
AJR 79 (Chu) Intro 4/12/04	Shareholder Access	Requests the Securities and Exchange Commission to implement its proposed shareholder participation rules in order to address the need for reform in corporate transparency and give shareholders access to the proxy. Sponsor: Secretary of State	Resolution Chapter 92, Statutes of 2004
SB 102 (Burton) Intro 1/29/03	Unused Sick Leave	Allows up to 2/10 of one year of unused sick leave to count towards qualifying for one-year final compensation, longevity bonus and other benefit enhancements. Sponsor: CalSTRS, CTA	Chapter 911, Statutes of 2004
SB 147 (Torlakson) Intro 2/6/03	Health Security Accounts	Would have established Health Security Account Program for retired members, their spouses and dependents to be financed by employer contributions. Sponsor: Author	Died in Senate
SB 272 (Soto) Intro 2/18/03	Social Security Coverage	Would have required community college districts to offer Social Security coverage to part-time community college faculty no later than July 1, 2004. Sponsor: FACCC	Died in Senate
SB 766 (Florez) Intro 2/21/03	Securities	Would have expanded ability of public pension funds to hold liable those who provide misleading information that is used when deciding to buy or sell a security. Sponsor: Berman, Devalerio, Pease, Tabacco, Burt & Pucillo	Died in Senate
SB 1137 (Burton) Intro 1/20/04	Teachers' Retirement Board Elections	Would have authorized the election of a retired member of the Board by retired members of the DB Program, participants of the CB Benefit Program receiving an annuity, and members who are receiving a disability allowance, to a 4-year term beginning January 1, 2006. Sponsor: CRTA	Governor Veto (9/15/04)

2004 State Legislation (2003–04 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 1632 (Figueroa) Intro 2/20/04	Corporate Investments	Would have required public pension systems in California to obtain specific information from corporations in which they invest, related to their adherence to, and violations of, environmental, public health and human rights standards. This bill also requires the systems to report to the Legislature, to the extent feasible. Sponsor: Natural Heritage Institute, California Right to Know Coalition	Died in Senate

2003 State Legislation (2003–04 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 91 (Dutton) Intro 1/8/03	Cash Balance Benefit Program	Originally would have permitted part-time classified employees to participate in the CB Benefit Program as of July 1, 2004. Sponsor: CalSTRS	Provisions applicable to CalSTRS deleted
AB 106 (Corbett) Intro 1/10/03	Survivor Benefits	For purposes of receiving survivor benefits under the CalSTRS Defined Benefit Program, defines a spouse as a person who was continuously married to a member for less than 12 months prior to the accidental death of the member, or for the period beginning prior to the occurrence of the injury or diagnosis of an illness that resulted in the member's death. Sponsor: Author	Chapter 548, Statutes of 2003
AB 205 (Goldberg) Intro 1/28/03	Domestic Partnerships	Extends the rights, protections, benefits, responsibilities, obligations and duties of current, former and surviving married spouses to current, former and surviving registered domestic partners in California. This bill requires that any formal, same-sex union created in another state be recognized as a registered domestic partnership in California. Sponsor: California Alliance for Pride & Equality	Chapter 421, Statutes of 2003
AB 434 (Hancock) Intro 2/14/03	Defined Benefit Program; earnings limitation exemption	Originally would have extended an existing exemption from the earnings limitation for CalSTRS DB Program members who return to provide direct classroom instruction to pupils in K–12, as specified. Also would have extended the exemption to members who retired on or before January 1, 2003 and would have extended the sunset date from July 1, 2005, to January 1, 2010. Sponsor: CTA, CCRTA	Provisions applicable to CalSTRS deleted
AB 1207 (Corbett) Intro 2/21/03	Defined Benefit Program; Retirement Incentive Program	Reopens and makes permanent an existing retirement incentive program that provides an additional two years of service credit to members of the DB Program employed by participating school districts able to demonstrate cost savings. It also establishes a new retirement incentive program that allows school districts to add two years of service credit and two years of age to the age factor calculation in determining a member's retirement allowance. Sponsor: Association of California School Administrators, CFT, CTA, FACCC, Small School Districts Association	Chapter 313, Statutes of 2003

2003 State Legislation (2003–04 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 1764 (Budget & Fiscal Review) Intro 3/11/03	Supplemental Benefit Maintenance Account	Originally would have decreased Supplemental Benefit Maintenance Account transfer by an additional $58 million in 2003–2004.	Provisions applicable to CalSTRS deleted
AJR 29 (Pavley) Intro 4/10/03	Social Security Act	Requests the President and Congress of the United States enact legislation removing the burdensome effects of the Government Pension Offset and the Windfall Elimination Provision of the Social Security Act. Sponsor: CTA, United Teachers of Los Angeles	Resolution Chapter 65, Statutes of 2003
SB 269 (Soto) Intro 2/18/03	Management Compensation	Allows the Teachers' Retirement Board and the California Public Employees' Retirement System's Board of Administration to set salary levels and performance standards for the positions of Chief Executive Officer, System Actuary, Chief Investment Officer and investment managers. It also restricts individuals employed in these positions for less than five years from being paid to influence the actions of the retirement system, or decisions of its governing board for two years following the end of their employment with the retirement system.	Chapter 856, Statutes of 2003
SB 627 (PE&R) Intro 2/21/03	CalSTRS Technical Housekeeping	Makes various grammatical, technical and conforming changes to the Teachers' Retirement Law to facilitate efficient administration of the State Teachers' Retirement Plan. Sponsor: CalSTRS	Chapter 859, Statutes of 2003
SBX1 20 (Budget & Fiscal Review) Intro 3/3/03	Supplemental Benefit Maintenance Account	Reduces the General Fund transfer to the CalSTRS Supplemental Benefit Maintenance Account by $500 million for the 2003–04 fiscal year. Also requires the Teachers' Retirement Board, beginning in 2006 and based on an actuarial valuation, to report to the Legislature and the Director of Finance every four years on whether the full 80 percent purchasing power payment could still be maintained through June 30, 2036, despite the loss of the contributions. If the Board determines prior to July 1, 2036, that the loss of $500 million in contributions results in its inability to sustain the current program through 2035–36, then, subject to certification by the Director of Finance, the $500 million, plus interest, will be repaid the following year.	Chapter 6, Statutes of 2003

2003 State Legislation (2003–04 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SCR 11 (Soto) Intro 2/18/03	Affordable HIV/AIDS Drugs	Encourages state and local public retirement systems to urge drug companies to make HIV/AIDS drugs affordable to patients in less developed countries. The bill also makes findings regarding the effects of the HIV/AIDS pandemic in Africa and the insufficiency of pharmaceutical manufacturers' response. Sponsor: AIDS Care Foundation of Los Angeles	Chapter 111, Statutes of 2003

2002 State Legislation (2001–02 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 131 (Corbett) Intro 1/22/01	Federal tax law conformity	Conforms California law to the rollover and service credit purchase provisions of the federal Economic Growth and Tax Relief Reconciliation Act of 2001. Permits members retiring in 2002 to purchase service credit with newly authorized rollover funds. Sponsor: California Chiropractic Association	Chapter 30, Statutes of 2002
AB 979 (Cedillo) Intro 2/23/01	Members called to active military duty	Would have exempted members of the DB Program and the CB Benefit Program called to active military duty between September 11, 2001, and July 20, 2005, from paying the required member contributions for up to one year and receive retirement benefits for their military service. Sponsor: California School Employees Association, Service Employees International Union	Died in Assembly
AB 1122 (Corbett) Intro 2/23/01	Federal tax law conformity	Among other things, conforms California law to the retirement plan provisions of the EGTRRA. Sponsor: Franchise Tax Board	Chapter 35, Statutes of 2002
AB 1710 (Negrete McLeod) Intro 3/7/01	Community College district alternative retirement plan offering	Would have required community college districts to offer an alternative retirement plan and Social Security to all part-time employees. Alternative retirement plans would impose a minimum employer contribution of 4 percent of the employee's salary and a minimum total contribution rate of 8 percent. Sponsor: FACCC	Governor Veto (9/30/02)
AB 1743 (Campbell) Intro 1/7/02	Federal tax law conformity	Among other things, would have conformed California law to the retirement plan provisions of the federal EGTRRA.	Died in Assembly
AB 1744 (Corbett) Intro 1/7/02	Federal tax law conformity	Would have conformed California law to the rollover and service credit purchase provisions of the EGTRRA. Permits members retiring in 2002 to purchase service credit with newly authorized rollover funds.	Died in Assembly
AB 1975 (Koretz) Intro 2/14/02	Leaves of absence	Would have required community college districts to grant paid leaves of absence, with benefits, to one community college employee per campus who serves as staff of an employee organization. Sponsor: CFT	Governor Veto (9/28/02)

2002 State Legislation (2001–02 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 1995 (Correa) Intro 2/15/02	Corporate accountancy	Would have prohibited a California accountant from certifying corporate financial statements if his or her accounting firm performs non-audit services for the firm's client, other than tax preparation and SEC document review.	Died in Assembly
AB 2137 (Lowenthal) Intro 2/20/02	Additional years of service credit	Would have provided two additional years of service credit, at employer expense, to specified members with National Board certification who perform three years of credited service after January 1, 2003 in a low performing school.	Died in Assembly
AB 2174 (Lowenthal) Intro 2/20/02	Age factor of new members	Would have changed age factors for new members to factors that are actuarially adjusted.	Died in Assembly
AB 2451 (Salinas) Intro 2/21/02	Unused sick leave	Would have permitted part-time community college employees to have value of unused sick leave at the time of retirement credited, at employer expense, to their existing alternative retirement plan account, or CB Benefit Program account. Sponsor: FACCC	Governor Veto (9/29/02)
AB 2506 (Steinberg) Intro 2/21/02	403(b) investment options	Establishes a 403(b) registration program in CalSTRS that provides information on 403(b) investment options on the CalSTRS Web site. Sponsor: United Teachers Los Angeles	Chapter 1095, Statutes of 2002
AB 2646 (Liu) Intro 2/22/02	Medicare Part B	Would have required CalSTRS to pay Medicare Part B premiums. Sponsor: ACSA, CFT, CTA, FACCC	Died in Assembly
AB 2767 (Pavley) Intro 2/25/02	Social Security	Would have required Department of Education to conduct a study by July 1, 2004, on the WEP and GPO of Social Security.	Died in Senate
AB 2970 (Wayne) Intro 2/25/02	Independent auditors	Requires a one-year cooling-off period before an independent auditor may accept a senior-management job with a former audit client.	Chapter 232, Statutes of 2002
AB 2982 (PER&SS) Intro 2/28/02	CalSTRS Technical Housekeeping	Makes a variety of technical and conforming changes to the Teachers' Retirement Law to improve system administration. Sponsor: CalSTRS	Chapter 375, Statutes of 2002

2002 State Legislation (2001–02 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
ACR 55 (Migden) Intro 4/16/01	HIV/AIDS drug costs	Would have encouraged California's public employee retirement systems to support shareholder resolutions to reduce HIV and AIDS drug costs in less developed countries.	Died in Assembly
AJR 6 (Canciamilla) Intro 3/5/01	Federal Retirement Security and Savings Act	Requests that Congress enact legislation similar to last year's H.R. 1102, to raise contribution limits and expand pension portability among various types of public and private pension plans. Sponsor: State Association of County Retirement Systems	Resolution Chapter 121, Statutes of 2002
SB 461 (Torlakson) Intro 2/22/01	Prescription drug coverage	Would have required CalSTRS to provide high deductible coverage for prescription drugs to retired members of the DB Program with unspecified minimum levels of credited service. Sponsor: ACSA, CTA	Died in Assembly
SB 657 (Scott) Intro 2/23/01	Federal tax law conformity	Among other things, conforms California law to the retirement plan provisions of the federal EGTRRA. Sponsor: Franchise Tax Board	Chapter 34, Statutes of 2002
SB 728 (Machado) Intro 2/23/01	State employee members of CalSTRS	Ratifies collective bargaining agreements and temporarily reduces member contributions rates to specified state members of CalSTRS and CalPERS. Sponsor: Department of Personnel Administration	Chapter 14, Statutes of 2002
SB 1020 (Escutia) Intro 2/23/01	Increased school year	Would have offered fiscal incentives to schools to increase the school year in grades seven and eight and either grade six or nine by 20 days, or other specified days and hours for year round schools.	Died in Assembly
SB 1256 (Brulte) Intro 1/9/02	Federal tax law conformity	Among other things, would have conformed California law to the retirement plan provisions of the federal EGTRRA.	Died in Senate
SB 1315 (Sher) Intro 1/24/02	Prescription drug purchasing pool	Requires specified agencies to join a statewide pool to purchase prescription drugs at a reduced cost and permits other state agencies, such as CalSTRS, to participate in the pool. Sponsor: California Public Interest Research Group	Chapter 483, Statutes of 2002
SB 1318 (Karnette) Intro 1/24/02	Employer-paid member contributions	Allows an employer to pay all or part of a member's contributions to the DB and DBS Programs. Sponsor: United Teachers of Los Angeles	Chapter 115, Statutes of 2002

2002 State Legislation (2001–02 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 1527 (Burton) Intro 2/20/02	Accountants	Would have required a California accountancy firm to certify that it will not perform non-audit services for a publicly-traded audit client, other than tax preparation and SEC document review.	Died in Assembly
SB 1580 (Burton) Intro 2/20/02	Teachers' Retirement Board	Requires 3 members of the Board who currently are appointed by the Governor to represent active CalSTRS members to be elected by the membership. Requires all Governor appointments be approved by the Senate. Sponsor: CFT	Chapter 1049, Statutes of 2002
SB 1746 (Polanco) Intro 2/21/02	Elected officials as appointees to public retirement boards	Expresses legislative intent to permit an elected official of a local agency to be appointed to a California public retirement board if he or she otherwise meets the specified requirements. Sponsor: Author	Chapter 289, Statutes of 2002
SB 1983 (Soto) Intro 2/22/02	Options 6 & 7	Modifies Options 6 and 7, changes calculation of postretirement earnings limits and authorizes CalSTRS investments in employer surplus and real property. Sponsor: CalSTRS, CTA	Chapter 903, Statutes of 2002
SCA 2 (Burton) Intro 1/23/01	Annual Budget Act	Would have required CalSTRS and CalPERS support expenditures be approved in the annual Budget Act beginning in 2003–04 and authorizes the Governor and Legislature to request an independent actuarial review of CalSTRS and CalPERS.	Died in Senate
SJR 9 (Costa) Intro 3/7/02	Investments in foreign business	Would have requested that Congress identify and prohibit investments in foreign businesses that threaten U.S. national security interests.	Died in Senate
SR 22 (Dunn) Intro 9/14/01	Investments in wholesale energy	Would have requested that each state agency, including CalSTRS, determine whether to continue investing in any wholesale energy-related business that has refused to comply with a subpoena issued by a specified Senate Select Committee.	Died in Senate

2001 State Legislation (2001–02 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 135 (Havice) Intro 1/23/01	Purchasing Power Protection	Increases purchasing power protection from 75 percent to 80 percent. Sponsor: ACSA	Chapter 840, Statutes of 2001
AB 607 (Negrete McLeod) Intro 2/22/01	Career Factor	Would have increased current 2.4 percent limit on combined age factor and career factor for members who retire on or after January 1, 2002, to 2.6 percent.	Died in Assembly
AB 649 (Negrete McLeod) Intro 2/22/01	Alternative retirement plans for part-time community college employees	In previous version, requires community college districts to offer Social Security coverage and an alternative retirement plan to their part-time employees and allows part-time classified community college employees to participate in CB Benefit Program, if offered by employer. Provisions deleted and replaced with provisions to ratify memorandum of understanding between the State and state employees. Sponsor: Department of Personnel Administration	Chapter 364, Statutes of 2001; effective 9/27/01
AB 804 (Education) Intro 2/22/01	Notification of CBEST requirements	Requires that the Board notify members about the time constraints and possible requirements for passing the California basic educational skills test if the individual wants to return to the classroom after 39 months. Sponsor: Department of Education	Chapter 734, Statutes of 2001
AB 906 (Salinas) Intro 2/23/01	Contribution Rates	Provides legislative ratification of collective bargaining agreements reached between the State and Bargaining Units 10, 12, 13, 16, 18 and 19 and includes benefit enhancements for specified state employees not represented by an employee organization. Sponsor: Department of Personnel Administration	Chapter 365, Statutes of 2001; effective 9/27/01
AJR 3 (Leonard) Intro 2/16/01	Repeal of the Social Security GPO and WEP	Requests that Congress repeal the Government Pension Offset and the Windfall Elimination Provision on Social Security benefits. Sponsor: CFT	Resolution Chapter 66, Statutes of 2001
SB 165 (O'Connell) Intro 2/1/01	CalPERS/ CalSTRS Election	Permits a vested member of CalPERS not employed in an education-related position who accepts employment to perform creditable service covered by the DB Program, to elect to be excluded from CalSTRS and retain membership in CalPERS. Sponsor: ACSA	Chapter 77, Statutes of 2001

2001 State Legislation (2001–02 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 191 (Karnette) Intro 2/28/01	Retirement and health benefits	Would have required CalSTRS make annual contributions to members' DBS Program accounts until July 1, 2011, based on their years of credited service; pay the Medicare Part B premiums of active and retired DB Program members who are at least 55 years of age; and establish nominal accounts and credit each with $600 per year to pay healthcare insurance premiums for DB Program members who retired before January 1, 2001. Sponsor: California Legislative Council of Professional Engineers	Died in Senate
SB 334 (Ortiz) Intro 2/20/01	Teachers' retirement benefits following reinstatement	Increases benefits for members who retired from service, reinstate and perform creditable service for two years following reinstatement from a prior retirement. (Urgency statute)	Chapter 800, Statutes of 2001; effective 10/13/01
SB 499 (Soto) Intro 2/22/01	CalSTRS program adjustments	Eliminates future education requirements for dependent children receiving a disability or family allowance under Coverage A increases loan limits for the Home Loan Program; allows DB Program members who were former CB Benefit Program participants to purchase their prior CB service credit.	Chapter 803, Statutes of 2001
SB 501 (PE&R) Intro 2/22/01	CalSTRS Technical Housekeeping	Makes a variety of technical changes to the Teachers' Retirement Law to improve system administration.	Chapter 803, Statutes of 2001
SJR 4 (Soto) Intro 2/21/01	Elimination of the Social Security GPO and WEP	Requests that Congress eliminate the application of the GPO and the WEP on Social Security benefits.	Resolution Chapter 94, Statutes of 2001

2000 State Legislation (1999–00 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 107 (Knox) Intro 12/22/98	Tobacco divestment	Would have prohibited new or additional investments in tobacco companies by CalSTRS and CalPERS on and after January 1, 2001 and would have required the divestment of existing tobacco investments by July 1, 2002. Also would have provided indemnification for Board members. Sponsor: CFT	Died in Assembly
AB 141 (Knox) Intro 1/11/99	Earnings limit exemption	Extends a current exemption from the earnings limitation for retired members of CalSTRS who are employed under specified conditions to fill an administrative position vacated due to circumstances beyond the control of the employer. The extension could equal one-half of a full-time equivalent for the position and applies to the 1999–2000 school year and the 2000–2001 school year through December 31, 2000. Sponsor: California Association of School Business Officials	Chapter 22, Statutes of 2000; effective 6/1/00
AB 429 (Correa) Intro 2/12/99	Ad hoc payment	Provides ad hoc increase of between 1 and 6 percent to the annual allowance for current benefit recipients. Sponsor: CalSTRS	Chapter 1027, Statutes of 2000
AB 649 (Machado) Intro 2/23/99	Public pension reciprocity	Allows CalSTRS members who became employed by the State and eligible for CalPERS membership to elect to retain CalSTRS membership. Sponsor: Department of Personnel Administration	Chapter 402, Statutes of 2000
AB 684 (Honda) Intro 2/23/99	Compounded COLA	Would have changed the annual improvement factor applied to benefit payments from the CalSTRS DB Program from a 2 percent simple cost-of-living adjustment (COLA) to a 2 percent compounded COLA. Sponsor: California Federation of Teachers	Died in Assembly
AB 816 (PER&SS) Intro 2/24/99	CalSTRS Technical Housekeeping	Annual CalSTRS technical housekeeping bill; various technical and conforming changes to the Teachers' Retirement Law. Sponsor: CalSTRS	Chapter 1025, Statutes of 2000

2000 State Legislation (1999–00 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 820 (PER&SS) Intro 2/24/99	Minor improvements to the State Teachers' Retirement Plan	Authorizes a CalSTRS member to redeposit a portion of previously refunded contributions; permits purchase of previously excluded service; allows naming of new spouse as an option beneficiary by a retired member receiving a Member-Only Benefit; expands participation in CB Benefit Program by trustees of governing boards. Sponsor: California Retired Teachers Association, California Teachers Association	Chapter 1020, Statutes of 2000
AB 821 (PER&SS) Intro 2/24/99	One-Year Final Compensation	Bases final compensation on the highest average annual compensation earnable by a member during a consecutive 12-month period of employment, rather than highest three consecutive years, for members with at least 25 years of credited service. Sponsor: California Federation of Teachers, California Teachers Association, United Teachers of Los Angeles	Chapter 1028, Statutes of 2000
AB 1509 (Machado) Intro 2/26/99	Defined Benefit Supplement Program	Requires that 25 percent of the contributions of members of the DB Program be credited for the next 10 years to a separate nominal account in the DBS Program.	Chapter 74, Statutes of 2000
AB 1733 (Wildman) Intro 1/6/00	Earnings Limit Exemption	Temporarily eliminates earnings limit exemption for members who return to work more than one year after retirement and increases limitation for other retired members. Sponsor: California Teachers Association	Chapter 896, Statutes of 2000
AB 1736 (Ducheny) Intro 1/6/01	Earnings Limit Exemption	Increases the earnings limit to $22,000 and eliminates the post retirement earnings limitation requirement until 2008 for members who return to work after at least one year of retirement.	Chapter 351, Statutes of 2000
AB 1933 (Strom-Martin) Intro 2/15/00	Longevity Bonus	Pays a "longevity bonus" of $200 – $400 per month for members who retire after 2000 and accrue at least 30 years of credited service by 2011. Sponsor: California Teachers Association	Chapter 1029, Statutes of 2000
AB 2118 (Bock) Intro 2/22/00	CalSTRS/ CalPERS Merger Study	Would have required CalSTRS and CalPERS to prepare and submit a report to the Legislature on the consequences of a merger of the Systems.	Died in Senate

2000 State Legislation (1999–00 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 2201 (Honda) Intro 2/24/01	Final Compensation; Purchasing Power; Board Elections	Would have calculated final compensation on the highest 12 consecutive months; would have increased retirement formula to 2 percent at age 55, provided a compounded COLA, increased purchasing power protection from 75 to 80 percent and required the election of board members to the Teachers' Retirement Board. Sponsor: California Teachers Association	Died in Assembly
AB 2383 (Keeley) Intro 2/24/00	PEMHCA Eligibility and Health Benefits Study	Expands eligibility under Public Employees Medical and Hospital Care Act (PEMHCA) to authorize contracting agencies and school employers to include certain part-time employees in coverage under PEMHCA. It also requires CalSTRS to report on specified health benefits by April 1, 2001. Sponsor: CalSTRS	Chapter 874, Statutes of 2000
AB 2456 (Wright) Intro 2/24/00	Lump-sum payments	Allows members of the DB Program to elect to receive a lump-sum payment and a reduced monthly allowance who retire on or after January 1, 2002 and before 2011. Sponsor: FACCC	Chapter 897, Statutes of 2000
AB 2700 (Lempert) Intro 2/25/00	Creditable Compensation	Makes all compensation for creditable service creditable to CalSTRS and credits member and employer contributions for service in excess of 1.000 years of service per school year to the DBS Program. Sponsor: CalSTRS	Chapter 1021, Statutes of 2000; effective 1/1/02 & 7/1/02
AB 2745 (Kaloogian) Intro 2/25/00	Investments	Would have required CalSTRS and CalPERS to investigate and report to the Legislature with respect to investments in foreign companies that pose a threat to national security.	Died in Assembly
AB 2839 (Firebaugh) Intro 3/2/00	CalSTRS retirement formula	Would have increased the retirement formula to 2 percent at age 55, for CalSTRS members who retire on or after January 1, 2001. Sponsor: California Federation of Teachers	Died in Assembly
SB 39 (Baca) Intro 12/7/98	Career Bonus benefit enhancement	Would have increased the career bonus for members with 29 or more years of credited service who retire on or after January 1, 2000. Sponsor: California Teachers Association	Died in Senate

2000 State Legislation (1999–00 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 318 (Burton) Intro 2/8/99	Repeal of multiple employer restriction in Cash Balance Benefit Program	Would have repealed provisions of current law that prohibit a member of the DB Program employed to perform less than 50 percent of the full-time equivalent for more than one employer from electing to participate in CB Benefit Program unless all of that member's employers participate in CB Benefit Program. Sponsor: CalSTRS	Died in Senate
SB 473 (Ortiz) Intro 2/17/99	Employer purchase of non-qualified service credit	Would have authorized a school district, community college district, or county office of education to pay all or part of a member's costs for non-qualified service credit. Sponsor: CalSTRS	Died in Senate
SB 1435 (Johnston) Intro 2/7/00	Health Benefits	Requires CalSTRS pay the premium of Medicare Part A for retired members of the DB Program not otherwise eligible for coverage without payment of premium. Sponsor: CalSTRS	Chapter 1032, Statutes of 2000
SB 1505 (Burton) Intro 2/15/00	Minimum Allowance Extension	Extends eligibility for the minimum guaranteed allowance paid to CalSTRS members, their option beneficiaries and surviving spouses, in varying amounts according to the member's years of credited service.	Chapter 1026, Statutes of 2000; effective 6/1/00
SB 1666 (Alarcon) Intro 2/22/00	Earnings Limit Exemption	Exempts from the earnings limit a member who retires for service on or before January 1, 2000, if the member returns to provide direct classroom instruction to pupils in K–12, or to provide support to (1) new teachers, (2) individuals completing student teaching assignments, or (3) participating in (a) the Preinternship Teaching Program, (b) an alternative certification program, or (c) the School Paraprofessional Teacher Training Program.	Chapter 70, Statutes of 2000
SB 1692 (Ortiz) Intro 2/22/00	Return to service	Would have enhanced retirement benefits for retirees who reinstate for one year and re-retire. Sponsor: California Retired Teachers Association, California Teachers Association, California Federation of Teachers, Faculty Attempting to Improve Retirement	Governor Veto (9/28/00)

2000 State Legislation (1999–00 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 1693 (Ortiz) Intro 2/22/00	Purchasing Power	Would have increased purchasing power protection payments from 75 percent of the initial allowance to 80 percent. Sponsor: California Retired Teachers Association, Association of Retired Teachers, California Teachers Association, California Federation of Teachers	Died in Senate
SB 1694 (Ortiz) Intro 2/22/00	CalSTRS/ CalPERS membership election for state employees	Permits state members of CalPERS who perform service creditable to CalSTRS to remain in CalPERS; likewise permits CalSTRS members who work for the State to remain in CalSTRS. Sponsor: State Department of Education	Chapter 880, Statutes of 2000
SB 1928 (Haynes) Intro 2/24/00	Investments	Would have required CalSTRS and CalPERS to investigate and report to the Legislature with respect to investments in foreign companies that pose a threat to national security. Sponsor: Author	Died in Assembly
SB 2105 (Lewis) Intro 2/25/00	Reporting for Charter Schools	Requires a school district or county office of education, as a chartering authority, to create any reports required of a charter school by CalSTRS or CalPERS.	Chapter 466, Statutes of 2000
SB 2122 (Ortiz) Intro 2/25/00	Investment Information	Encourages CalSTRS and CalPERS to cooperate and share information developing investment strategies and specifies that the confidential information and documents of each system will be preserved in the process. Sponsor: State Controller Kathleen Connell	Chapter 320, Statutes of 2000
SCA 16 (Burton) Intro 3/6/00	Budgetary authority	Would have required that CalSTRS and CalPERS administrative and personnel budgets be approved in the annual Budget Act and authorized the Governor or the Legislature, once every five years, to cause an independent actuarial review to be conducted of CalSTRS.	Died in Senate

1999 State Legislation (1999–00 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 29 (Pacheco) Intro 12/7/98	Suspension and expulsion of pupils	In its original form, would have provided an exemption to the earnings limit for retired teachers returning to work to meet the objectives of the proposed Grade 10 Class Size Reduction Program established in the bill.	Provisions applicable to CalSTRS deleted
AB 81 (Cuneen) Intro 12/9/98	Income tax credits; donation of teachers to high schools; open enrollment spaces in company-sponsored classes	Would have authorized a 50 percent tax credit through 2003 for taxpayers for qualified expenses incurred in lending qualified employees to public high schools, community colleges, or vocation institutions for the purpose of teaching math and science. Sponsor: Semiconductor Equipment Manufacturing International	Died in Assembly
AB 311 (Honda) Intro 2/8/99	Teachers' Retirement Board	Would have revised the composition of the Board to require five members of the Board to be elected, at an election provided for by the Board, by the members of the group to which they belong for four-year terms. The terms would have commenced on January 1, 2001, or on January 1, 2002. Sponsor: California Teachers Association	Governor Veto (10/10/99)
AB 335 (Mazzoni) Intro 2/11/99	CalSTRS earnings limit waiver for Class Size Reduction	Clarifies and conforms the existing earnings limitation exemption for retired teachers who returned to the classroom as a result of the K–3 Class Size Reduction Program to include the recently authorized Grade 9 Class Size Reduction Program and the future expansions of the Class Size Reduction Programs authorized by Part 28 of the Education Code. Sponsor: CalSTRS	Chapter 40, Statutes of 1999
AB 596 (Honda) Intro 2/19/99	Purchase of Service Credit	Member purchase of credit for Peace Corps and VISTA service.	Provisions applicable to CalSTRS deleted
AB 724 (Dutra) Intro 2/24/99	"Y2K" remediation by state agencies	Y2K remediation by state agencies.	Provisions applicable to CalSTRS deleted

1999 State Legislation (1999–00 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 819 (PER&SS) Intro 2/24/99	Internal Revenue Code 415 compliance	Establishes the Replacements Benefit Program in compliance with federal law; rescinds the election CalSTRS made exempting certain members from existing federal limitations on benefit payments; requires CalSTRS to restore benefits to certain members previously limited by federal law. Sponsor: CalSTRS	Chapter 465, Statutes of 1999
ABX1 12 (Runner) Intro 1/19/99	Rule of 85	Would have permitted a member of CalSTRS to retire for service on or after July 1, 2000, at age 55 or older without age-related allowance reduction if the sum of the member's age and credited service is at least 85.	Died in Assembly
AJR 9 (Correa) Intro 3/3/99	Mandatory Social Security	Encourages U.S. Congress and President to exclude state and local employees from mandatory social security. Sponsor: CalSTRS	Resolution Chapter 40, Statutes of 1999
SB 73 (Murray) Intro 12/9/98	State contracts	State contracts; participation goals for small businesses (amended to exclude CalSTRS).	Governor Veto (10/10/99)
SB 105 (Burton) Intro 12/10/98	CalSTRS/ CalPERS; investments; Northern Ireland	Requires CalSTRS and CalPERS to investigate the extent to which the U.S. and international corporations operate in Northern Ireland. Sponsor: Author	Chapter 341, Statutes of 1999
SB 159 (Johnston) Intro 1/7/99	CalSTRS health care benefits	Requires CalSTRS to develop a program to provide health benefits for members, beneficiaries, children and dependent parents and appropriates $625,000 to develop the program. Sponsor: CalSTRS	Chapter 740, Statutes of 1999
SB 437 (Rainey) Intro 2/16/99	Restoration of surviving spouse benefits due to remarriage	Restores benefits paid to a surviving spouse of a deceased member of CalSTRS if the surviving spouse previously lost entitlement to survivor benefits due to remarriage, prior to October 16, 1992. Sponsor: Author	Chapter 432, Statutes of 1999
SB 713 (Burton) Intro 2/24/99	CalSTRS minimum allowance for career members	Establishes minimum annual allowances payable to specified retired members of CalSTRS, their option beneficiaries and surviving spouses in varied amounts according to the member's years of credited service. Sponsor: CalSTRS	Chapter 632, Statutes of 1999

1999 State Legislation (1999–00 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 833 (Ortiz) Intro 2/25/99	Application of 1999 enhanced benefits to existing retired members	Would have provided to CalSTRS members who retired in 1998 or received their first check in 1998, the benefit enhancements currently available to members who retired after 1999. Also would have increased the benefits of those members who are currently retired, but return to service for one year and whose total credited service equals of exceeds 30 years to reflect the "career bonus" in their entire allowance. Sponsor: California Retired Teachers Association, Association of Retired Teachers, California Teachers Association, California Federation of Teachers, United Teachers of Los Angeles, Faculty Attempting to Improve Retirement, Faculty Association of California Community Colleges, Association of California School Administrators	Governor Veto (10/10/99)
SB 1074 (PE&R) Intro 2/26/99	CalSTRS Technical Housekeeping	Annual CalSTRS technical housekeeping bill with various technical and conforming changes to the Teachers' Retirement Law. Sponsor: CalSTRS	Chapter 939, Statutes of 1999
SB 1245 (Hayden) Intro 2/26/99	CalSTRS/ CalPERS; investments; corporations owing compensation for using slave/forced labor in WWII	Authorizes any World War II slave labor or forced labor victim, or heir of the victim, to bring a court action in California to recover compensation for labor performed against any entity or successor in interest who received the benefit that labor. Requires CalSTRS to monitor and report until December 31, 2010, on investments in companies that do business in California that owe compensation to victims of slave labor from 1929 to 1945.	Chapter 216, Statutes of 1999

1998 State Legislation (1997–98 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 88 (Baca) Intro 12/30/96	Rule of 85	Would have allowed a member of CalSTRS, who is 55 years of age or older to retire on or after July 1, 1998, with full retirement benefits if the member's age plus years of credited service equals or exceeds 85.	Governor Veto (9/13/98)
AB 884 (Honda) Intro 2/27/97	Compounded COLA	Would have required the 2 percent improvement factor applied to benefit payments from the CalSTRS Defined Benefit Program be compounded, beginning September 1, 1999.	Died in Senate
AB 1102 (Knox) Intro 2/27/97	Service Credit (Unused Sick Leave)	1) Extends eligibility to receive credit at retirement for unused sick leave to members of CalSTRS DB Plan who became members on and after July 1, 1980, and who retire on or after January 1, 1998; and 2) eliminates the restriction that currently prohibits a CalSTRS member who reinstates from service retirement from receiving credit at a subsequent retirement for unused sick leave accrued after termination of the original retirement.	Chapter 1006, Statutes of 1998
AB 1150 (Prenter) Intro 2/28/97	CalSTRS Benefits	Incrementally increased the benefit factor from 2 percent at age 60 to 2.4 percent at age 63.	Chapter 966, Statutes of 1998
AB 1166 (House) Intro 2/28/97	Community College Counselors and Librarians, Part Time and Adult Education	Establishes a minimum standard of 175 days or 1,050 hours for full-time service and compensation for California community college counselors and librarians. Modifies the minimum standard service for adult education programs, and part-time credit and non-credit and adult education community college instructors.	Chapter 678, Statutes of 1998

1998 State Legislation (1997–98 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 1744 (Knox, et al) Intro 2/3/98	Tobacco Investments	Would have: 1) prohibited new or additional investments by the TRF and the PERF in tobacco companies on and after January 1, 1999; 2) required phased divestment of one-third of current holdings each year beginning January 1, 2000, and continuing until January 1, 2002; 3) required the Board to make specified investment valuations at specified intervals; declare that specified results of such valuations be considered as a normal cost deficit pursuant to Section 22955 (Elder Full Funding); and 4) required both CalSTRS and CalPERS to report to the Legislature on or after January 1, 2002, regarding the effect of the divestiture on employer contribution rates. The bill provides indemnification for Board members and their agents and employees in the event of lawsuit.	Died in Assembly
AB 2765 (PER&SS) Intro 2/26/98	CalSTRS Technical Housekeeping	Makes various technical and conforming changes to the TRL. Extends the sunset date on earnings exemption for retirees teaching in class size reduction. Deletes requirement for quarterly asset reports to the Legislature. Extends the sunset date to January 1, 2005, for electing Medicare coverage.	Chapter 965, Statutes of 1998
AB 2766 (PER&SS) Intro 2/26/98	Final Compensation for LAUSD	Would have revised the definition of final compensation for specified LAUSD members who retired in the early 1990's. Funding would have been provided by LAUSD.	Died in Senate
AB 2804 (PER&SS) Intro 3/12/98	Public retirement systems benefits	Reamortizes the unfunded liability over 30 years; provide 65 percent of Elder Full Funding to pay for benefits.	Chapter 967, Statutes of 1998
SB 1021 (PE&R) Intro 2/27/97	Federal compliance; pension simplification	Amends the TRL to bring CalSTRS into compliance with federal changes applicable to the CalSTRS DB Program enacted by Congress under the Pension Simplification Act of 1996 and Taxpayers Relief Act of 1997. Sponsor: CalPERS	Chapter 1074, Statutes of 1998
SB 1486 (Rainey) Intro 2/4/98	CalSTRS Benefits	Under specified circumstances, authorizes a retired member to designate a spouse as his or her new option beneficiary.	Chapter 262, Statutes of 1998
SB 1528 (Schiff) Intro 2/10/98	CalSTRS health insurance	Authorizes the Board to study providing health care benefits to members and families. Sponsor: California Retired Teachers Association	Chapter 968, Statutes of 1998

1998 State Legislation (1997–98 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 1945 (Karnette) Intro 2/19/98	CalSTRS benefits	Establishes 100 percent financing in Member Home Loan Program. Sponsor: Author, CalSTRS	Chapter 419, Statutes of 1998
SB 2047 (Lewis) Intro 2/20/98	CalSTRS benefits	Adds Option 8 to allow for multiple option beneficiaries and modifies existing options, as specified. Sponsor: Author, CalSTRS	Chapter 349, Statutes of 1998
SB 2085 (Burton) Intro 2/20/03	CalSTRS Cash Balance Program	Merges the CalSTRS Cash Balance and Defined Benefit Plans and renames both plans the "State Teachers' Retirement Plan". The bill deletes the Cash Balance Fund and requires contributions, earnings, and any other amounts provided under the Cash Balance Plan to be deposited in the Teachers' Retirement Fund. The bill also deletes the Cash Balance Plan Expense Account and authorizes all administrative costs of the Cash Balance Benefit Program from the Teachers' Retirement Fund. Pursuant to the merger, the $1 million loan from the Defined Benefit Plan for the initial phase of the Cash Balance Plan is discharged.	Chapter 1048, Statutes of 1998
SB 2126 (PE&R) Intro 2/20/98	CalSTRS benefits	Modifies SB 1027/1997 regarding the purchase of permissive and out-of-state service credit, as specified; permits the purchase of "nonqualified" service. Sponsor: CalSTRS	Chapter 1076, Statutes of 1998
SB 2224 (Alpert) Intro 2/20/98	CalSTRS benefits	Provides for the return to a Member-Only Benefit for certain members, as specified. Sponsor: California Retired Teachers Association	Chapter 832, Statutes of 1998

1997 State Legislation (1997–98 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 18 (Mazzoni) Intro 12/2/96	Class Size Reduction; earnings limit exemption	As an urgency measure, allows the earnings limitation exemption enacted by Chapter 948/96 (AB–1068, Mazzoni) to become operative.	Chapter 1, Statutes of 1997; retroactive to 7/1/96
AB 206 (Hertzberg) Intro 2/4/97	Citizen complaints to the State via the Internet	Requires state agencies to make available on their Internet Web sites, on or before July 1, 1998, a plain-language form through which California residents can register complaints relating to the performance of that agency and requires agencies to provide certain information.	Chapter 416, Statutes of 1997
AB 373 (Morrissey) Intro 2/4/97	Extension of Postretirement Earnings Limit Exemption (Golden Handshake)	Extends eligibility for an exemption from the postretirement earnings limitation to retired members who received additional service credit at retirement under the Golden Handshake provisions, subject only to a one-year waiting period. Sponsor: Orange County Department of Education	Merged with AB 686; Chapter 572, Statutes of 1997
AB 686 (Baugh) Intro 2/26/97	Establish classification of Special Education Instructors; extension of Postretirement Earnings Limit Exemption (Golden Handshake)	1) Provides authority for any County Office of Education, under specified circumstances, to establish two classes of employees for members of the CalSTRS DB Program who are employed in a special education program, as determined by the number of days required of employees in each class for full-time service; and 2) extends eligibility for an exemption from the postretirement earnings limitation to retired members who received additional service credit at retirement under the Golden Handshake provisions, subject only to a one-year waiting period. Sponsor: Orange County Department of Education	Chapter 572, Statutes of 1997
AB 884 (Honda) Intro 2/27/97	Compounded COLA	Would have revised compounding of "2 percent improvement factor" applied to benefit payments from the CalSTRS DB Program shall be compounded. Sponsor: California Federation of Teachers	Died in Senate
AB 885 (Honda) Intro 2/27/97	Teachers' Retirement Board	Would have required that the four "teacher" members of the Board be elected to the Board from their respective constituencies, rather than appointed by the Governor. Sponsor: California Teachers Association	Governor Veto (9/29/97)

1997 State Legislation (1997–98 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 1421 (Lempert) Intro 2/28/97	Nonmember spouse final compensation	Would have amended the TRL to require that a nonmember spouse's service retirement allowance be calculated based on the member's earnable compensation as of the effective date of the nonmember spouse's retirement and proposed a similar change to CalPERS Law.	Died in Assembly
AB 1597 (PER&SS) Intro 3/20/97	CalSTRS Technical Housekeeping	Would have made various technical and conforming changes to the TRL and extended the Golden Handshake Program to 2004. Note: Due to a chaptering-out problem with SB 629, the Governor vetoed the bill at the author's request; however, the author has agreed to reintroduce the bill next year. If the Governor had signed this legislation, it would have voided-out the provisions contained in SB 629. Sponsor: CalSTRS	Governor Veto (10/10/97); Author agreed to pursue next legislative session
ACR 4 (Perata) Intro 1/13/97	Investments; tobacco advertisement restriction	Urges the shareholders of R.J. Reynolds Tobacco Company to vote to discontinue the use of the character "Joe Camel" in its advertising.	Chapter 91, Statutes of 1997
SB 227 (Solis) Intro 1/30/97	CalSTRS/ CalPERS elections; Chancellor's Office employee, change in status	1) Permits members of CalSTRS who are employed by a community college district and subsequently become employed by a state agency, as specified, requiring membership in a different retirement system (e.g., CalPERS) to elect to remain in CalSTRS under specified conditions; 2) similarly allows a member of CalPERS, under specified conditions, to elect to remain in CalPERS; 3) permits specified institutions and organizations to enter into an agreement for the loan or assignment of a Chancellor's Office employee, as specified; 4) provides for specified CalPERS members to elect by March 1, 1998, to return to CalSTRS under certain conditions; and 5) requires a member who makes such an election to purchase the CalPERS service; CalPERS would transfer the actuarial present value of the assets of the person to CalSTRS. Sponsor: Chancellor's Office, California Community Colleges	Chapter 838, Statutes of 1997
SB 471 (Burton) Intro 2/19/97	CalSTRS Technical Housekeeping	Makes minor technical changes to the definition of "compensation," and related technical changes to other sections of the TRL. Sponsor: CalSTRS	Chapter 482, Statutes of 1997

1997 State Legislation (1997–98 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 629 (Karnette) Intro 2/25/97	Expand disability benefits	Expands eligibility for disability benefits by eliminating the minimum service credit requirement for members applying for a Disability Allowance or Disability Retirement because they were a victim of an unlawful act of bodily injury while performing their official duties. Sponsor: United Teachers of Los Angeles	Chapter 386, Statutes of 1997
SB 1026 (Schiff) Intro 2/27/97	75% Purchasing Power Protection	Provides purchasing power protection of up to 75 percent of the benefit recipient's original purchasing power from the 2.5 percent annual General Fund contribution for as long as it could support that level of funding; allows the Board to a) transfer funds from the TRF; b) increase employer contributions; c) decrease the benefit when the 2.5 percent annual General Fund contribution is insufficient to support 75 percent purchasing power. Sponsor: California Retired Teachers Association, Association of Retired Teachers, California Teachers Association, California Federation of Teachers	Chapter 939, Statutes of 1997
SB 1027 (Schiff) Intro 2/27/97	Member redeposit of nonmember spouse refund; out-of-state service credit	Authorizes members of CalSTRS to redeposit contributions withdrawn by a nonmember spouse and purchase additional service credit for out-of-state public school employment without any date restriction. Sponsor: CalSTRS	Chapter 569, Statutes of 1997

1996 State Legislation (1995–96 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 166 (Cannella) Intro 1/19/95	Medicare	Extends to July 1, 1999, the current bargaining window for CalSTRS-covered employees to elect Medicare coverage. Repeals the provision on January 1, 2000. Includes urgency provision. Sponsor: California Teachers Association	Chapter 318, Statutes of 1996; effective 7/30/96
AB 430 (Cannella) Intro 2/15/95	Options benefit	Would have allowed any member who retired prior to January 1, 1991, under Option 2 or 3 and whose beneficiary has died prior to January 1, 1995, and no new option beneficiary has been named by the retired member, to return to the Member-Only Benefit and provides funding for increased program costs. Sponsor: California Retired Teachers Association	Died in Assembly
AB 850 (Morrissey) Intro 2/22/95	Federal tax compliance	As an urgency measure, adds provisions to the Revenue and Taxation Code that "qualified retirement income" from sources within California are excluded from the gross income of a non-resident for state income tax purposes. Nonresidents who earn income other than pensions from work in California will still remain subject to tax on their California earnings.	Chapter 506, Statutes of 1996; effective 7/1/96
AB 978 (Thompson) Intro 2/23/95	Education Code Revision	Would have established a 21 member commission on January 1, 1997, to revise the Education Code; repealed effective January 1, 1999, most of Title 1 and 2 of the Education Code regarding elementary and secondary education including the TRL contained in Parts 13 and 14 of Title 1; and the commission would be required to submit a recommended revised Education Code to the Legislature by January 1, 1998. Sponsor: Governor's Office of Child Development and Education	Died in Assembly
AB 1068 (Mazzoni) Intro 2/23/95	Class Size Reduction; Postretirement Earnings Limit Exemption	Provides until July 1, 1999, that earnings paid to a member who retired on or before July 1, 1996, and is employed in grades K–12 because of the class size reduction program are exempt from the post retirement earnings limitation. Note: Double-joined with a bill that failed passage. CalSTRS pursued an urgency measure in January 1998 to correct the double-joining problem. Sponsor: Association of Low Wealth Schools	Chapter 948, Statutes of 1996; (never became operative)

1996 State Legislation (1995–96 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 1463 (Horcher) Intro 2/24/95	Rule of 85	Would have allowed a member of CalSTRS who is 50 years of age or older to retire on or after July 1, 1996, with full retirement benefits if the member's age plus years of credited service equals or exceeds 85. These provisions would be repealed on January 1, 1999. Sponsor: United Teachers of Los Angeles	Died in Assembly
AB 2400 (Miller) Intro 2/16/96	Local retirement systems	Deletes specific prohibitions in PERS law regarding classified school employee benefits and allow election of optional benefits and termination of contracts. Note: The provisions that would have impacted CalSTRS were deleted from the bill in the May 14, 1996, amendments. Sponsor: School Services of California, Inc.	Chapter 1164, Statutes of 1996
AB 2673 (Ducheny) Intro 2/22/96	Cash Balance Benefit Program; Technical Housekeeping	As an urgency measure, amends the CB Benefit Program statutes as necessary to facilitate employers' "option" to offer the Program. Makes other technical and conforming amendments as appropriate. Note: Enabling legislation was introduced in 1995 as a mandate, but was amended late in that legislative session to allow employers the choice of offering the plan. Sponsor: CalSTRS	Chapter 608, Statutes of 1996; effective 7/1/96
AB 3032 (Burton) Intro 2/23/96	Continued eligibility for students; revision of TRL definitions	1) Eliminates the requirement that a dependent child between the ages of 18 or 22 must maintain full-time student status to remain eligible for the child's portion of a disability or family allowance under Coverage A (Provisions sunset 2002); 2) repeals the definition of "compensation" and "salary" and adds a definition of "creditable compensation," making clarifying amendments as appropriate; and 3) amends the definition of "class of employees," as specified. Sponsor: CalSTRS	Chapter 1165, Statutes of 1996
AB 3221 (Gallegos) Intro 2/23/96	CalSTRS/ CalPERS Election Process	1) Amends provisions specifying the process and time limit for electing membership in CalSTRS or other public school employment under specified conditions; and 2) adds provisions requiring employers to inform employees within 10 working days from the date of hire of their right to make an election. Once received and accepted by the retirement system, the election shall become effective as of the first day of employment in the position that qualified the member to make an election. Sponsor: CalSTRS	Chapter 383, Statutes of 1996

1996 State Legislation (1995–96 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 3252 (Kaloogian) Intro 2/23/96	Establish the PEDCR Plan	Would have established the Public Employees' Defined Contribution Retirement (PEDCR) Plan for state and other local public agency employees whose employers elect to participate in the Plan. Would also specify that the day-to-day administration of the Defined Contribution Plan shall be contracted out to a private third party administrator and funded by employer and employee contributions. Sponsor: Author	Died in Senate
AB 3332 (Kuehl) Intro 2/23/96	Domestic Partners	Would have added a new chapter to the TRL extending eligibility for CalSTRS benefits currently available to spouses to domestic partners, but only upon a school districts' election to be subject to these provisions. Sponsor: California Teachers Association	Died in Committee
AB 3445 (Knox) Intro 2/23/96	Investments; tobacco companies	Would have: 1) prohibited new investments of State trust funds in tobacco companies on and after January 1, 1997; 2) required phased divestment of one-third of current holdings each year beginning January 1, 1998, and continuing until January 1, 2000; and 3) provided for indemnification for Board members and their agents and employees.	Died in Committee
SB 168 (Hughes) Intro 1/30/95	Teachers' Retirement Board	Would have required that the four "teacher" members of the Board be elected from their respective constituencies rather than appointed by the Governor. Sponsor: Association of Retired Teachers, California Teachers Association	Bill withdrawn by author
SB 471 (Dills) Intro 2/17/95	Health Insurance	Would have authorized the Board to contract for health insurance, including vision and dental care to members, beneficiaries, children and dependent parents. Sponsor: California Retired Teachers Association	Died in Assembly
SB 747 (Hughes) Intro 2/23/95	Purchasing Power Protection	Would have required the Board to include in the Annual Erosion of Purchasing Power Report information on the effect of reducing the annual SBMA loan repayment amount and repaying that loan over 5, 10 and 15 year periods. Sponsor: Association of Retired Teachers, California Retired Teachers Association, Association of California School Administrators	Bill withdrawn by author

1996 State Legislation (1995–96 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 1517 (Johnston) Intro 2/13/96	Federal tax compliance	Would have added provisions to the California Revenue and Taxation Code to specify that, for state income tax purposes, qualified retirement income from a source within California would be excluded from the gross income of a nonresident and would bring state statutes into compliance with recently enacted federal law. Note: bill was amended and no longer impacts CalSTRS.	Inactive File
SB 1658 (Costa) Intro 2/21/96	Options Benefit Survey	Would have required the Board to conduct a sample survey to determine the number of members and cost for those who retired before January 1, 1991, with an Option 2 or 3 to return to the Member-Only Benefit if the option beneficiary died prior to January 1, 1995. At the request of the sponsor, the Board agreed to conduct the survey without legislation. Note: At the request of the sponsor, the Board agreed at its July 1996 meeting to conduct the survey without legislation during 1997. Sponsor: California Retired Teachers Association.	Died in Senate
SB 1877 (Rogers) Intro 2/22/96	Federal Compliance (USERRA)	Enacts provisions for CalSTRS/CalPERS and the 1937 Act counties to be in compliance with the federal USERRA. Sponsor: CalPERS, 1937 Act Counties	Chapter 680, Statutes of 1996
SB 2016 (O'Connell) Intro 2/23/96	Compounded 2% Benefit Improvement Factor	Would have provided that beginning September 1, 1997, the 2 percent improvement factor (or COLA) applied to CalSTRS benefit payments shall be compounded. Sponsor: California Federation of Teachers	Died in Senate
SB 2041 (Hughes) Intro 2/23/96	CalSTRS Technical Housekeeping	Makes technical and conforming changes made necessary by enactment of the CB Benefit Program and the new definition of member. Sponsor: CalSTRS	Chapter 634, Statutes of 1996
SB 2095 (Appropriations) Intro 2/23/96	SBMA Settlement	As an urgency measure, appropriates funds, as specified, to the State Board of Control to pay accepted claims. Includes a General Fund appropriation of $540,000 to settle CalSTRS' claim from 1992 relating to interest payments on the SBMA due to late payment. Sponsor: Board of Control	Chapter 487, Statutes of 1996

1996 State Legislation (1995–96 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SJR 27 (Costa) Intro 5/26/95	Sale of Elk Hills	Memorializes the President and Congress of the U.S. to sell the Elk Hills Naval Petroleum Reserve Numbered 1 while recognizing the State's valid claim to two school land sections within the Reserve and compensate California's retired teachers for their 9 percent interest in the Reserve upon its sale. Sponsor: California Retired Teachers Association, SLC	Chapter 68, Statutes of 1996
SR 16 (Killea) Intro 2/16/95	Commission on Corporate Governance	Re-establishes until January 31, 1996, the Commission on Corporate Governance, Shareholder Rights and Securities Transactions to conduct research and make public policy recommendations concerning these subjects.	Adopted (2/1/96)

1995 State Legislation (1995–96 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 107 (Boland) Intro 1/9/95	Los Angeles School District Reorganization	1) Exempts any city with a population of over 3,000,000 persons from the requirement that a school district may not be reorganized without the consent of the governing board. Existing law specifies that an action to reorganize a school district may be initiated upon the filing of a petition signed by at least 25 percent of the registered voters residing in the territory to be reorganized; and 2) provides that a petition may also be filed to reorganize a single district with over 200,000 pupils into several smaller districts if signed by a number of registered voters equal to at least 8 percent of the votes cast for all candidates for Governor at the last gubernatorial election in the territory to be reorganized; double-joined with Chapter 412/95 (SB–699, Hayden).	Chapter 267, Statutes of 1995
AB 948 (Gallegos) Intro 2/22/95	Postretirement Earnings Limit Exemption; Postretirement creditable service	As an urgency measure, 1) facilitates the continued administration of school districts faced with financial difficulties by modifying, under limited circumstances, specific provisions of the Education Code to permit the employment of retired CalSTRS members in administrative positions, who have specific experience necessary to ensure or restore the financial stability of a troubled school district; and 2) also establishes definitions of various employment activities that are considered "creditable service" and provides that the earnings limitation on postretirement service is applied only to compensation earned from creditable service. Sponsor: CalSTRS, Association of California School Administrators	Chapter 394, Statutes of 1995; effective 7/1/95
AB 1122 (Cannella) Intro 2/23/95	Minimum standards for full-time employment	1) Establishes appropriate minimum standards for full-time employment for all classifications of employees in K–12 and community colleges for crediting service in CalSTRS, while continuing to allow the districts the flexibility to establish specific standards for full-time employment; and 2) makes clarifying amendments to existing definitions and adds new definitions to the Education Code as necessary and repeals provisions that are made obsolete by these changes. Sponsor: CalSTRS	Chapter 390, Statutes of 1995; effective 7/1/96

1995 State Legislation (1995–96 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 1298 (Ducheny, et al) Intro 2/23/95	Cash Balance Program	Authorizes CalSTRS to establish a Cash Balance retirement program administered by CalSTRS for part-time public school employees, which employers may elect to provide for persons employed less than half time at a contribution rate that is lower than Social Security tax. Note: The I.R.S. has expressly ruled that the CalSTRS CB Benefit Program qualifies as an alternative retirement plan to Social Security. Sponsor: CalSTRS	Chapter 592, Statutes of 1995
AB 1441 (Davis) Intro 2/24/95	Survivor benefits, preretirement options modifications	1) Eliminates the requirement that a surviving spouse of a CalSTRS member under Coverage A must wait until age 60 to receive a monthly allowance; 2) makes age and service requirements for eligibility to make a pre-retirement election of an option consistent with the requirements for eligibility for retirement; and 3) makes the assessment for cancellation of an option more reflective of the actual costs to CalSTRS for providing the coverage the member received. Sponsor: CalSTRS	Chapter 524, Statutes of 1995
SB 699 (Hayden, et al) Intro 2/22/95	School district reorganization	Specifies that any reorganization of a school district in a city with a population of more than 3,000,000 persons shall ensure that each new district created meets specified conditions, including the maintenance of the conditions of all collective bargaining agreements until their expirations. Bill was double-joined with Chapter 267/95 (AB 107, Boland).	Chapter 412, Statutes of 1995
SB 791 (Hughes) Intro 2/23/95	Federal compliance; Eliminates CalSTRS Annual Report Supplement	1) Amends the Government Code and the Education Code to include a reference to the compensation limit recently mandated by Section 401(a)(17) of the IRC. This requirement limits the annual compensation for the purpose of benefit accruals to $150,000 for each employee under a qualified pension plan for new members hired on and after July 1, 1996; and 2) amends the provisions that prescribe the content of the CalSTRS Annual Report and reporting requirements related to CalSTRS investments. Sponsor: CalPERS, CalSTRS, State Association of County Retirement Systems	Chapter 829, Statutes of 1995; effective 7/1/96

1994 State Legislation (1993–94 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 1470 (Cannella) Intro 3/4/93	Additional years of service credit	Would have granted, upon the Governor's executive order, three additional years of service and an additional three years of age to state employees, certain employees of contracting agencies and certain CalSTRS members employed in state agencies. The Governor was not convinced the provisions would save money. According to the proponents, a primary purpose of this bill was to avoid layoffs. Although the theory is that savings would accrue through the replacement of highly compensated senior employees with lower paid employees, experience has proven retirement enhancements to be expensive and costing more than initial estimates. Sponsor: Professional Engineers in California Government, Association of California State Attorneys & Administrative Law Judges, California Association of Highway Patrolmen, California Department of Forestry Employee Association and Orange County Employee Association	Governor Veto (5/20/94)
AB 1527 (Burton, et al) Intro 3/4/93	Investments; Northern Ireland	Would have required CalSTRS/CalPERS to monitor annually the extent to which companies in Northern Ireland adhere to principles of nondiscrimination and freedom of opportunity in the workplace. The Governor viewed this legislation the same as another bill he vetoed in 1992 stating that with increasing prospects for political settlement in Northern Ireland, it made no sense to enact this proposal. Sponsor: Authors	Governor Veto (9/29/94)
AB 2237 (McDonald) Intro 3/5/93	Investments; South African bonds	Authorizes any state or local retirement system to invest in rated or unrated bonds, notes, or other instruments guaranteed by the government of South Africa. Note: The provisions are permissive and do not require action by CalSTRS. Sponsor: Author	Chapter 46, Statutes of 1994
AB 2448 (W. Brown, et al) Intro 1/4/94	Investments; repeal of South Africa sanctions	As an urgency measure, repeals existing law that prohibits state trust fund investments in South Africa. Sponsor: Mr. Nelson Mandela, President, African National Congress	Chapter 31, Statutes of 1994; effective 3/31/94

1994 State Legislation (1993–94 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 2512 (Epple) Intro 1/13/94	Extended Service Retirement formula	Would have provided an incremental increase in the benefit factor of .25 of 1 percent per month up to a maximum of 2.3 percent at age 65 for CalSTRS members retiring after June 30, 1995, with 20 or more years of service credit and whose employer elected to provide this benefit. The Governor vetoed a similar bill last year and objected then to any benefit enhancement coming at the expense of classroom resources. Sponsor: California Teachers Association	Governor Veto (9/30/94)
AB 2550 (Karnette) Intro 1/19/94	Repeal of Administrative Refund fee	Repeals law requiring CalSTRS to charge administrative fees for processing member requests for a refund of member contributions; permits certain refunds to be canceled and membership restored. Sponsor: CalSTRS	Chapter 932, Statutes of 1994
AB 2647 (Aguiar) Intro 2/2/94	Adult Education Membership	1) Allows part-time and substitute instructors in adult education who are currently excluded from membership in CalSTRS to elect membership in the CalSTRS DB Program; and 2) requires the employer to return overpaid contributions to the member within 60 days of discovery or notification of the overpayment. Sponsor: California Council for Adult Education	Chapter 507, Statutes of 1994
AB 2648 (Karnette) Intro 2/2/94	Benefit Enhancement Study	Would have required CalSTRS to conduct a study to determine the feasibility of the System to offer certain optional benefit enhancements that members could elect to purchase. The Governor determined that while the bill provides for recovery of the $75,000 appropriation from CalSTRS members receiving a benefit enhancement, there was no assurance that the TRF would be fully reimbursed and so the Board agreed to undertake the study using its own resources. Sponsor: California Teachers Association, CalSTRS	Governor Veto (9/15/94)
AB 2862 (Lee) Intro 2/17/94	Investments; securities; public retirement systems	Would have authorized any public retirement system to invest in securities guaranteed by the African, Asian and Caribbean Development Banks and the Inter American Bank. Sponsor: Author	Died in Senate (6/30/94)

1994 State Legislation (1993–94 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 2916 (O'Connell) Intro 2/17/94	Membership	Would have allowed CalSTRS members who become employed with one of six state agencies in a position represented by Bargaining Unit 21 and requiring membership in CalPERS to elect to remain in CalSTRS by making such election in writing within 30 days of entering the new position. The Governor determined this bill would have provided a more costly benefit to a select group of employees and therefore inequitable and that retirement benefits should be discussed and agreed upon through collective bargaining prior to a legislative resolution. Sponsor: California State Employees Association, Bargaining Unit 21	Governor Veto (9/11/94)
AB 3064 (Morrow) Intro 2/22/94	Tax Sheltered Annuity Program	Requires CalSTRS to offer a Tax Sheltered Annuity program, as specified. Sponsor: Association of California School Administrators, CalSTRS	Chapter 291, Statutes of 1994
AB 3171 (Napolitano) Intro 2/23/94	CalSTRS Technical Housekeeping	As an urgency measure, makes various minor, corrective and technical changes to the TRL related primarily to the 1993 recodification. Sponsor: CalSTRS	Chapter 933, Statutes of 1994; effective 9/28/94
AB 3407 (PER&SS) Intro 2/24/94	Mid-career Counseling Program	Requires CalSTRS to offer a mid-career retirement planning information program for CalSTRS members. Sponsor: Association of California School Administrators, CalSTRS	Chapter 656, Statutes of 1994
AB 3627 (Campbell) Intro 2/25/94	Membership; insolvent school districts	Provides that trustees or administrators appointed by the Superintendent of Public Instruction to an insolvent school district, as specified, shall be members of CalSTRS for the period of the appointment, unless they elect in writing not to become or remain members. Sponsor: Department of Education	Chapter 1002, Statutes of 1994; retroactive to 7/1/93
AB 3705 (PER&SS) Intro 2/25/94	457 Deferred Compensation Plans	Allows CalSTRS to develop one or more deferred compensation plans pursuant to Section 457 of the IRC. Sponsor: California Teachers Association, CalSTRS	Chapter 489, Statutes of 1994
AB 3832 (PER&SS) Intro 3/16/94	Full-time; definition	Codifies the definition of "full-time" as a distinct code section, separate from the definition of "compensation earnable." Sponsor: CalSTRS	Chapter 193, Statutes of 1994

1994 State Legislation (1993–94 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 192 (Dills) Intro 2/4/93	Health benefits local public employees	Would have allowed CalSTRS to offer health benefits to active and retired members. CalSTRS believes that affordable health benefits coverage is an integral part of a secure retirement and is in concert with its primary responsibility to provide retirement program services to its members. The Governor determined that the System would be required to acquire special expertise and resources to administer health benefits; and, since the benefit would be partially funded by school districts, it would reduce resources available for classrooms. Sponsor: California Retired Teachers Association	Governor Veto (9/30/94)
SB 277 (Hughes) Intro 2/12/93	Teachers' Retirement Board	Would have required that the four CalSTRS members of the Board be elected to the Board from their respective constituencies rather than appointed by the Governor. The Governor determined there was no need to substitute the current appointment process with a cumbersome election process at a cost to the TRF in excess of $125,000; Proposition 162 established in the state constitution the responsibilities and priorities for the Board who have fulfilled those obligations; and, an elected Board should represent interests of the entire system, not individual constituencies. Sponsor: Association of Retired Teachers	Governor Veto (9/25/94)
SB 586 (Hughes) Intro 3/1/93	75% Purchasing Power Protection	1) Restates the intent of the State to ensure a minimum purchasing power of 75 percent of the initial retirement allowance and specifies possible revenues; 2) requires CalSTRS to annually report return on investments and actual total salaries; and 3) requires the Controller to adjust the ad hoc minimum guarantee contribution to CalSTRS once actual payroll is determined. Sponsor: California Retired Teachers Association	Chapter 858, Statutes of 1994
SB 858 (PE&R) Intro 3/4/93	Golden Handshake	Reestablishes the Golden Handshake additional 2 years service credit program operative March 30, 1994, through December 31, 1998. Sponsor: CalSTRS	Chapter 20, Statutes of 1994; effective 3/16/94

1994 State Legislation (1993–94 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 1285 (Watson) Intro 1/6/94	Investments; South Africa	As an urgency measure, repeals existing law that prohibits state trust fund investments in South Africa.	Chapter 30, Statutes of 1994; effective 3/31/94
SB 1459 (Watson) Intro 2/10/94	Investments; International	Authorizes any public retirement system to invest in securities guaranteed by various international financial institutions. Sponsor: Dymally, Ernest & Fair	Chapter 1084, Statutes of 1994
SB 1499 (Hughes) Intro 2/15/94	Service credit for unused sick leave	Would have allowed employers to elect to provide service credit for unused sick leave at retirement to those employees who become CalSTRS members after July 1, 1980. Sponsor: California Teachers Association	Died in Assembly
SB 1972 (Campbell) Intro 2/25/94	Investments; possessory interest tax proration	Makes permanent the provisions which would otherwise sunset June 30, 1994, regarding the proration of the possessory interest tax imposed upon the tenants of properties owned by CalSTRS. Sponsor: CalPERS, CalSTRS	Chapter 1281, Statutes of 1994; effective 9/30/94

OTHER SIGNIFICANT LEGISLATIVE ISSUES (1994)

California Health Security Act (Proposition 186) – Would have established a “single payer” health care system in which the State of California would administer and finance health care coverage, thereby replacing most private health insurance and current public health care programs. The proposed System would have been similar to those used in some other countries, such as Canada. This Act would have some impact on CalSTRS members depending on their individual circumstances. It would have no impact on CalSTRS as a public pension fund nor on services CalSTRS currently provided to members.

1993 State Legislation (1993–94 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 40 (Margolin) Intro 12/9/92	Investments; Arab boycott	Expands provisions enacted last year, Chapter 1351/92 (AB–2251, Margolin) regarding the prohibition of state trust funds investing in companies that are complying with the Arab League's economic boycott of Israel. Note: the California Attorney General has concluded that this bill is preempted by federal law and therefore not subject to implementation by CalSTRS. Sponsor: Author	Chapter 439, Statutes of 1993
AB 216 (Margolin) Intro 1/25/93	Investments; foreign government bonds	Authorizes state or local retirement systems to invest in foreign government bonds or other evidences of indebtedness, a portion of which may be used to purchase rated or unrated bonds guaranteed by Israel, Canada, or Mexico; permissive only. Sponsor: Margolin	Chapter 440, Statutes of 1993
AB 407 (Escutia) Intro 2/10/93	Dual Membership	Would have repealed the TRL provision that excludes a full-time member of another public retirement system from membership in CalSTRS for part-time work under CalSTRS. The Governor determined that this bill would increase the CalSTRS unfunded liability thereby resulting in increased General Fund costs because of the requirements of the Elder Full Funding Act (costs not funded by the combined employer/employee contributions, approximately 1.2 percent of payroll); result in local mandated program costs; and, inappropriately divert money from the classroom. Sponsor: CalSTRS	Governor Veto (10/4/93)
AB 447 (Seastrand) Intro 2/11/93	Federal compliance; age 70 1/2 minimum distribution	1) Adds the definition of "reinstatement" to the TRL; 2) requires CalSTRS to comply with federal law with regard to minimum distribution at age 70 1/2 and specifies various procedures pertaining to CalSTRS inactive members; and 3) provides for CalSTRS to prorate supplemental payments to the termination date of the allowance. Sponsor: CalSTRS	Chapter 861, Statutes of 1993; Line item veto of $100,000 appropriation

1993 State Legislation (1993–94 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 449 (Horcher) Intro 2/11/93	Rule of 85	Would have established the "Rule of 85" alternative retirement program. The Governor determined that this bill lacked several safeguards as proposed in the Legislative Analyst's Office report. Specifically it did not require an audit over the life of the early retirement program to reflect that cost savings actually occurred; no specified time limit for districts to finance payments for the enhanced benefits; lacked flexibility for districts to determine a minimum retirement age; and there was no directive to keep the deleted classifications empty. Sponsor: California Teachers Association	Governor Veto (10/9/93)
AB 631 (Cannella) Intro 2/22/93	Modify TRL Definitions	Clarifies the definition of "compensation" and "salary" for purposes of determining benefits and contributions. Sponsor: CalSTRS	Chapter 468, Statutes of 1993
AB 798 (Sher) Intro 2/25/93	Benefit payment arrangements	1) Prohibits CalSTRS/CalPERS from mailing a copy of benefit payment information to any member who has payment directly deposited if the member requests not to have the information sent; and 2) requires the Systems to inform members of their right not to have the information sent to them.	Chapter 1083, Statutes of 1993
AB 810 (Tucker) Intro 2/25/93	Benefit Study	Would have required CalSTRS to conduct a study of the costs of: 1) a 2 percent at age 58 to 2.418 percent at and over age 61; and 2) a 2 percent at age 59 to 2.418 pecent at and over age 62 formula for state employee CalSTRS members. Sponsor: California State Employees Association	Dropped by author; agreed to conduct the study
AB 916 (Farr) Intro 3/1/93	Credit enhancement for local government bonds	Would have required CalSTRS/CalPERS, in consultation with the Treasurer, to study the feasibility of establishing under the Systems a credit enhancement program for local government bonds. The Governor determined that the bill was unnecessary since both CalSTRS/CalPERS already have the authority to conduct such a study and to provide credit enhancement programs; particularly with CalSTRS' program for industrial development bonds. This program experience can be used as a general application for other credit enhancement programs. Sponsor: Author	Governor Veto (10/11/93)

1993 State Legislation (1993–94 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 1631 (Karnette) Intro 3/4/93	Survivor Benefits (SB 93)	1) Allows CalSTRS to: 1) revise the current process of verifying the date of birth or death of a benefit recipient; 2) Specifies that a pre-retirement election of an option is automatically canceled if the option beneficiary predeceases the member; and 3) specifies the procedures to be taken when a designated beneficiary cannot be located. Sponsor: CalSTRS	Chapter 920, Statutes of 1993
AB 1796 (Napolitano) Intro 3/5/93	TRL Recodification	Recodifies the TRL; makes structural changes only. Sponsor: CalSTRS	Chapter 893, Statutes of 1993
AB 2278 (Tucker) Intro 3/5/93	CalSTRS Technical Housekeeping	Makes technical, corrective and clarifying changes in various TRL provisions. Sponsor: CalSTRS	Chapter 1082, Statutes of 1993
SB 70 (L. Greene) Intro 1/6/93	Investments; proration of property taxes	Requires for fiscal years 1992–93 and 1993–94 that, if a lessee of a CalSTRS-owned property holds a possessory interest for less than a full fiscal year, the amount of the property tax shall be prorated according to the number of months the lessee holds the interest.	Chapter 1187, Statutes of 1993
SB 77 (Appropriations) Intro 1/7/93	"Float" Suit	As an urgency measure, makes a General Fund appropriation of $8.9 million to CalSTRS and $7.5 million to CalPERS. These amounts represent the settlement of a lawsuit CalSTRS/CalPERS filed against the State to recover the System's investment earnings in the State's Pooled Money Investment Account between 1984 and 1988.	Chapter 699, Statutes of 1993; effective 10/2/93
SB 107 (Hughes) Intro 1/14/93	Golden Handshake extension	Would have removed the January 1, 1994, sunset date of the Golden Handshake provisions, thereby continuing the program on a permanent basis. The Governor determined that this bill lacked several safeguards as proposed in the Legislative Analyst's Office report. Specifically it did not require an audit over the life of the early retirement program to reflect that cost savings actually occurred, limit financing periods to four years and authorize the executive to designate the eligible departments, programs and position classifications; otherwise, he would be willing to sign. Sponsor: California Teachers Association	Governor Veto (10/9/93)

1993 State Legislation (1993–94 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 195 (Hughes) Intro 2/4/93	TSA Plan	Would have required CalSTRS to offer a Tax Sheltered Annuity Plan to be operated under the direction of CalSTRS' Investment Office or a third party administrator. The Governor recognized that the Teachers' Retirement Board was evaluating the effectiveness and future of the existing TSA plan; consequently, development of an additional or new plan would be premature prior to the complete evaluation and final disposition of the existing plan. Sponsor: California Teachers Association	Governor Veto (9/24/93)
SB 414 (Roberti) Intro 2/24/93	One-year Final Compensation repayment (LAUSD)	Would have provided for employers to pay for the one-year final compensation benefit as required by the Board. The Governor determined that this bill would encourage school districts to borrow money to pay for increased retirement benefits without securing additional funding to cover the debt; the sponsor did not demonstrate any savings by school districts that have already extended this benefit, or that any savings would accrue from the financing option contained in the bill; and, the bill has the potential to divert money from the classroom. Sponsor: United Teachers of Los Angeles	Governor Veto (9/21/93)
SB 698 (Torres) Intro 3/3/93	Salary preservation using 3 non-consecutive years for final compensation	1) Allows a member's retirement allowance calculation to be based on the member's highest earnable compensation during any three non-consecutive years of CalSTRS membership if the member's salary was reduced because of budget reductions; and 2) authorizes employers to elect to preserve members' retirement benefits when salary reductions due to budget cuts have occurred. Sponsor: California Federation of Teachers, CalSTRS	Chapter 860, Statutes of 1993; Line item veto of $300,000 appropriation
SB 754 (Hughes) Intro 3/3/93	Change of Options	Allows a CalSTRS retired member who retired under Option 2 or Option 3 before January 1, 1991, to change Option 2 or 3 to Option 6 or 7, under specified conditions. Sponsor: California Retired Teachers Association	Chapter 911, Statutes of 1993

1993 State Legislation (1993–94 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 857 (PE&R) Intro 3/4/93	"Betts" clean-up; long-term health care	1) Authorizes districts to grant a leave of absence to a certificated employee who has applied for either a disability retirement benefit or a disability allowance; 2) makes various technical and conforming changes related to implementation of the new Disability Retirement and Survivor Benefits programs; and 3) makes the CalPERS Long-Term Care Act provisions applicable to CalSTRS members. Sponsor: CalSTRS	Chapter 1144, Statutes of 1993

OTHER SIGNIFICANT LEGISLATIVE ISSUES (1993)

Voucher/Parental Choice In Education (Proposition 174) – Would have allowed parents to exercise choice in the schools, which their children attend by providing state educational "scholarships", or vouchers, for California students redeemable by their parents at either private or public schools that have converted to independent scholarship-redeeming schools. The amount of the scholarship would be equal to at least 50 percent of the prior year's public per-pupil spending – an estimated $2,600 per student.
Note: Any significant migration of teachers from the public schools as a result, would have a negative impact on the funding period at CalSTRS.

1992 State Legislation (1991–92 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 75 (Elder) Intro 12/4/90	Employer notification	Would have: 1) required employers to provide membership information to all full-time, part-time and substitute employees; 2) deleted reference to a repealed section in the Teachers Retirement Law; and 3) included other provisions (not affecting CalSTRS) that would have authorized contracting agencies under CalPERS to offer their employees up to an additional 4 years of service credit. The Governor was concerned that this bill would require him to issue a "statewide executive order" to trigger the effectiveness. Conditioning a local agency's legislative action on the Governor's issuance of an executive order is a cumbersome and inappropriate exercise of the Governor's executive powers.	Governor Veto (9/30/92)
AB 486 (Polanco, et al) Intro 2/12/91	Public contracts; certification requirements	Creates a standardized certification program and permits all state and local agencies to use the criteria under this program to certify minority, women and disadvantaged business enterprises for contracts that are federally, state or locally funded.	Chapter 1329, Statutes of 1992
AB 1074 (Epple) Intro 3/5/91	Extend Service Retirement formula	Would have increased the benefit factor from 2.1 percent at age 61, 2.25 percent at age 63 and 2.5 percent at age 65 for CalSTRS members retiring after June 30, 1993, with 20 or more years of service credit and whose employer has opted for this benefit. The Governor was not in favor of enhancing a retirement benefit with resources that could otherwise be provided for the classroom. Sponsor: California Teachers Association	Governor Veto (7/20/92)
AB 1399 (Eaves) Intro 3/7/91	Defined Contribution Study	Would have required the Board to conduct a study of defined contribution benefits and establish a defined contribution "account" that complies with Internal Revenue Code section 415 requirements. Sponsor: Association Of California Life Insurance	Died in Senate

1992 State Legislation (1991–92 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 1522 (Campbell, et al) Intro 3/7/91	Additional service credit	As an urgency measure, authorizes the Trustees of the California State University to grant four years of additional service credit to eligible employees who retire during the 1992–93 fiscal year. Note: CalSTRS records indicate that fewer than five members will be affected by this legislation. Sponsor: California State University	Chapter 450, Statutes of 1992; effective 8/7/92
AB 1719 (Horcher) Intro 3/8/91	Community property non-probate transfers	Amends various provisions of the Probate Code relating to the non-probate transfer of community property, including transfers of property under the terms of a pension plan. Sponsor: California Law Revision Commission	Chapter 51, Statutes of 1992
AB 2251 (Margolin, et al) Intro 3/15/91	Investments; Arab boycott	Prohibits state trust funds from making new or additional investments in business forms or financial institutions that engage in discriminatory business practices that are "in furtherance of or in compliance with the Arab League's economic boycott of Israel." Under the "secondary boycott," which this bill targets, companies doing business in Arab nations must agree not to do business in Israel. Note: CalSTRS is required to begin divestiture of prohibited investments on January 1, 1995, and reduce such investments by one-third annually until January 1, 1998, when divestiture is complete.	Chapter 1351, Statutes of 1992
AB 2282 (Elder) Intro 1/6/92	Member Home Loans	Would have required the Board to study the advantages and disadvantages of offering low interest rate home loans to CalSTRS members. The Governor didn't see any merit to using Teachers' Retirement Fund monies to finance reduced mortgage home loans, which has previously been found to be a violation of both the California Constitution and other statues to which the Board is subject.	Governor Veto (8/12/92)
AB 2317 (Moore) Intro 1/13/92	Investments; public retirement systems; investments advisors	Would have authorized CalSTRS/CalPERS to consider joint venture, subcontracting and investment-related relationships with women, minority and disabled veteran business enterprises for purposes of meeting the statewide participation goals. The Governor stated that investment agreements are not service contracts under the Public Contract Code and should not be reported as if they were.	Governor Veto (7/27/92)

1992 State Legislation (1991–92 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 2335 (Moore) Intro 1/15/92	Contract award requirements	Would have required state agencies to award a contract to the lowest responsible bidder fully meeting the minority and women business enterprises contract participation goals or having the highest aggregate percentage of those goals.	Died in Senate
AB 2391 (Moore) Intro 1/27/92	Investments; South Africa relief	As an urgency measure, excludes firms engaged in famine relief activities in Southern Africa from the South Africa divestiture provisions Chapter 1254/86 (AB–134—Waters.)	Chapter 1238, Statutes of 1992; effective 9/30/92
AB 2513 (Andal) Intro 2/6/92	Definition revision	Would have revised the definitions of "compensation" and "salary" for use in the calculation of a CalSTRS retirement benefit.	Died in Assembly
AB 2538 (Moore) Intro 2/6/92	Family Care Leave	Allows members to purchase service credit for time spent on an approved family care leave of up to four months. Note: This bill enabled CalSTRS to implement the provisions of Chapter 462/1991 (AB 77–Moore), which required employers of 50 or more employees, including school district, to grant specified family care leave.	Chapter 1272, Statutes of 1992
AB 2585 (Eastin, et al) Intro 2/10/93	Charter Schools	Would have provided the general requirements for the establishment of charter public schools. The Governor determined that this bill fails to embrace the basic ingredients of the charter school concept (e.g., freedom from the state regulation and employee organizational control and choice on the part of parents, pupils, teachers and administrations).	Governor Veto (9/20/92)
AB 2721 (Elder, et al) Intro 2/13/92	Federal Compliance (Rollovers)	Authorizes public pension plans including CalSTRS to make rollovers directly to another eligible retirement plan. A new federal law requires retirement plans to withhold 20 percent on the taxable portion of an eligible distribution that is not rolled over directly to a qualified plan. Allows a member to request that a lump-sum distribution be made directly to another eligible plan and thus avoid the 20 percent withholding tax now required when the distribution is made directly to the member.	Chapter 1047, Statutes of 1992

1992 State Legislation (1991–92 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 766 Intro 3/6/91	System funding	As an urgency measure, clarifies the methodology for calculating the Elder Full Funding contributions due CalSTRS on prior calendar year payroll.	Chapter 703, Statutes of 1992; effective 9/15/92
SB 1448 (Hart, et al) Intro 2/10/92	Charter Schools	Authorizes the establishment of not more than 100 charter schools in the state, each of which will be treated as a school district for school funding guarantee purposes. These schools will be exempt from laws governing regular school districts except for those that choose to participate in CalSTRS. When a charter school chooses to participate in CalSTRS, all employees of that charter school who qualify for CalSTRS membership will be covered under CalSTRS. All provisions of the TRL will apply in these participating charter schools as if they were a public school in the school district that granted the charter.	Chapter 781, Statutes of 1992
SB 1687 (L. Greene) Intro 2/20/92	Investments; In-lieu Fees	Excludes CalSTRS' real estate investments from in-lieu fees and requires instead that lessees of CalSTRS owned property pay regular property taxes based on their possessory interest.	Chapter 1158, Statutes of 1992
SB 1765 (Hart) Intro 2/20/92	CalSTRS/ CalPERS Service Credit; Legislators	Would have allowed CalSTRS/CalPERS members to purchase service credit for time spent in the California Legislature during a service break. The Governor determined this bill contradicts the provisions of Proposition 140 (1990), which prohibits the accrual of pension benefits as a result of service in the Legislature. On or after November 1990, no Legislative Retirement System exists other than Social Security.	Governor Veto (9/30/92)
SB 1884 (C. Green) Intro 2/21/92	Multiple Retirements; "Betts"	As an urgency measure, provides the methods to be used in the calculation of a retirement allowance for members who previously received either a disability or service retirement benefit.	Chapter 1165, Statutes of 1992; effective 9/30/92

1992 State Legislation (1991–92 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 1885 (C. Green) Intro 2/21/92	Federal compliance; new survivor benefits & disability retirement programs; "Betts"	As an urgency measure, establishes new survivor benefits and disability programs for all new members entering CalSTRS on or after October 16, 1992. Also authorizes persons who were CalSTRS members on October 15, 1992, to elect to participate in the new programs. These changes bring CalSTRS into compliance with the federal Older Workers' Benefit Protection Act passed by Congress on October 16, 1990. Coverage A: $5,000 lump sum death payment. Coverage B: $20,000 lump sum death payment.	Chapter 1166, Statutes of 1992; effective 10/16/92
SB 1886 (C. Green) Intro 2/21/92	CalSTRS Disability; "Betts"	Makes various changes to the CalSTRS disability program: 1) technical revisions to the standard for determining disability; 2) defines "comparable level position" as any job in which the disabled member can earn 66 2/3 percent or more of indexed final compensation; 3) allows members to apply for disability while still working.	Chapter 1167, Statutes of 1992
SB 1887 (C. Green); Extraordinary Session Intro 2/21/92	State employees; personal leave program service credit; final compensation	Urgency measure: 1) Allows state employee CalSTRS members subject to the personal leave program to be credited with the service they would have received prior to being placed under this program; and 2) provides that, for non-represented state employee members who retire or die on or after July 1, 1991, and whose salaries were reduced during the 1991–92 fiscal year, "final compensation" means the highest annual salary as if no reduction had occurred. The employer is required to pay for any costs that result from the increased service credit and use of the higher final compensation.	Chapter 1372, Statutes of 1992; effective 10/27/92
SB 1902 (Johnston, et al) Intro 2/21/92	Health Benefits Study	Would have required the Board to conduct a statewide health benefits study of certificated school employees using a $240,000 Teachers' Retirement Fund appropriation for this purpose. The Governor determined this bill served as a catalyst for seeking a statewide health benefit package for school employees, rather than sought at the local level through collective bargaining.	Governor Veto (9/30/92)

1992 State Legislation (1991–92 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 1957 (Thompson) Intro 2/21/92	Investments; repeal sunset – real estate priorities	As an urgency measure, deletes the January 1, 1993, repeal date of provisions requiring CalSTRS to give first priority to investing at least 25 percent of newly available funds in California residential realty.	Chapter 540, Statutes of 1992; effective 8/22/92
SB 2018 (Calderon) Intro 2/21/92	Division of Community Property	As an urgency measure, modifies provisions relating to community property rights in retirement plans including prohibiting a nonmember spouse from receiving a retirement allowance until the actual retirement date of the member. CalSTRS/CalPERS are excluded from the latter provision.	Chapter 431, Statutes of 1992; effective 9/2/92

OTHER SIGNIFICANT LEGISLATIVE ISSUES (1992)

California Pension Protection Act (Proposition 162) – Effective upon certification of the Secretary of State, this act grants the Board plenary authority over investment decisions and administration of the System in a manner that will assure prompt delivery of benefits and related services to members and their beneficiaries. Effective 12/14/92

1991 State Legislation (1991–92 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 77 (Moore, et al) Intro 12/4/90	Fair Employment & Housing; Family Care Leave	Requires that employers of 50 or more employees, including school districts, grant unpaid leave for up to four months in any 24-month period for family care purposes, as defined. Note: CalSTRS had previously taken a "support, if amended" position; however, suggested amendments were never adopted into the bill. Sponsor: California Labor Federation	Chapter 462, Statutes of 1991
AB 191 (Elder) Intro 1/4/91	Employer contribution deferral	Would have allowed the LAUSD and the SFUSD not to make their employer contributions to CalSTRS from January 1992 through June 1992. The contributions that would have been made during that six-month period would instead have been paid in monthly payments over a period of up to 20 years commencing July 1, 1993. The Governor determined there was already an orderly process by which districts experiencing financial difficulty could request an "emergency apportionment;" the provisions were perceived to be a loan to these particular school districts, thereby circumventing the existing process; there were no safeguards to ensure that the districts in need would repay their debt, particularly where evidence may portray that their operations were not managed efficiently.	Governor Veto (7/18/91)
AB 276 (Filante, et al) Intro 1/22/91	Rule of 85	Would have allowed a member of CalSTRS aged 50 or older to retire with full retirement benefits, if the member's age plus years of credited service totaled 85. The Governor determined that CalSTRS already offered several options for early retirement, but with a reduced retirement allowance, as well as other early retirement options including incentives individually being offered by employers; would cost employers $50,000–$100,000 per retired member, which would result is a diversion of funds from the classroom; there were no requirements over the life of the early retirement program to reflect any cost savings to the program. Sponsor: California Teachers Association, Association of California School Administrators	Governor Veto (10/6/91)

1991 State Legislation (1991–92 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 692 (Hayden) Intro 2/25/91	Investments; State Trust Funds	Would have authorized CalSTRS/CalPERS to require companies in which they make investments to disclose the extent to which the companies adhere to the so-called Valdez Principles regarding "corporate environmental" responsibility. The Governor determined the bill as being permissive, unnecessary and an expression of Legislative intent and CalSTRS/CalPERS already have guidelines for companies in which the systems invest to conduct themselves with propriety and a view toward social considerations.	Governor Veto (10/14/91)
AB 702 (Frizzelle) Intro 2/25/91	Funding	As an urgency measure, provides that Elder Full Funding contributions be made in quarterly payments of 1.075 percent from the General Fund to the TRF instead of monthly contributions, commencing October 1, 1991.	Chapter 83, Statutes of 1991; effective 7/1/91
AB 1189 (Peace) Intro 3/6/91	Investments; corporations; electronic proxies	Permits oral telephonic submission of a proxy by a shareholder or someone with authority to act for a shareholder. Note: This bill does not require any action on the part of CalSTRS.	Chapter 308, Statutes of 1991
AB 1330 (Burton, et al) Intro 3/7/91	Investments; Northern Ireland	Would have required CalSTRS/CalPERS to: 1) compile a list of corporations that do business in Northern Ireland (NI), in which the assets of the two funds are invested and report this information to the Legislature; 2) annually monitor the extent to which U.S. Corporations operating in NI, in which the funds have investments, adhere to nondiscrimination principles, as defined by the MacBride Principles; and 3) support, whenever feasible, shareholder resolutions designed to encourage corporations in which the funds have invested to pursue a policy of affirmative action in NI. The Governor determined the bill was redundant with existing practices and that it was opposed by political and labor union leaders who represent NI Catholic constituencies who viewed the bill as threatening to the economy of NI as well as the job opportunities for Catholic workers who are far better protected by the mandatory provisions of the Fair Employment Act of 1989 than the MacBride principles.	Governor Veto (10/11/91)

1991 State Legislation (1991–92 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 2224 (Cannella) Intro 3/12/91	Full-time equivalent in Community Colleges	Would have established new standards for the crediting of service performed by community college members of CalSTRS employed on a part-time basis. The Governor determined the bill would result in increased costs to CalSTRS for those part-time instructors who become full-time instructors (estimated to range from $10,000 to $30,000) and would continue to increase for a number of years. Sponsor: California Federation of Teachers, Faculty and Administration of California Community Colleges	Governor Veto (10/14/91)
SB 196 (C. Green) Intro 1/17/91	Scientific Surveys	Would have required CalSTRS to establish procedures for evaluating and implementing requests of organizations with CalSTRS members to conduct scientific surveys of the CalSTRS membership. The Governor determined this bill would redirect CalSTRS' efforts toward an objective of satisfying the requests of outside organizations rather than to focus on its mission to satisfy the membership and was concerned with costs and resources needed to take on the additional workload. Sponsor: California Teachers Association	Governor Veto (10/2/91)
SB 1171 (PE&R) Intro 3/8/91	CalSTRS Technical Housekeeping	1) Clarifies provisions concerning the limitations imposed by Section 415 of the IRC on the benefits received by CalSTRS members; 2) authorizes CalSTRS to establish procedures to ensure compliance with information reporting requirements and provides that any person who willfully files any report in violation of the statutory requirements is guilty of a misdemeanor; 3) makes a technical, corrective change in the one-year final compensation provisions for classroom teachers; 4) clarifies that CalSTRS disabled members and inactive members are eligible to participate in the Dave Elder CalSTRS Home Loan Program; 5) requires spousal signature for most benefit applications; 6) requires employers to annually provide CalSTRS with copies of documents concerning employee compensation; and 7) allows CalSTRS members who served on active duty in the Persian Gulf conflict to receive CalSTRS service credit for the time spent on the military leave. Sponsor: CalSTRS	Chapter 543, Statutes of 1991

1991 State Legislation (1991–92 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 1173 (PE&R) Intro 3/8/91	State employees; members of CalSTRS; optional transfer to CalPERS	As an urgency measure, would have authorized members of CalSTRS who are employed in state service positions to elect, before April 1, 1992, to transfer their membership to CalPERS.	Died in Senate
SR 9 (McCorquodale) Intro 1/18/91	Investments; Shareholder Rights/ Securities Transaction Commission	Extends until January 1, 1993, the Senate Commission on Corporate Governance Shareholder Rights and Securities Transaction.	Adopted 5/30/91

1990 State Legislation (1989–90 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 54 (Elder) Intro 12/6/88	Optional one-year final compensation; multiple retirements	As an urgency measure: 1) Makes technical clean-up amendments to Chapter 1184/89 (AB–123, Elder) regarding optional one-year final-compensation for CalSTRS members who spent 60 percent or more of the last ten years of their career as classroom teachers; and 2) provides a more equitable method to calculate the final retirement benefit of CalSTRS members who reinstate from retirement to CalSTRS membership and subsequently retire. Sponsor: United Teachers of Los Angeles, California Teachers Association	Chapter 83, Statutes of 1990; effective 5/3/90
AB 1972 (Tucker) Intro 3/9/89	CalSTRS/ CalPERS Home Loan Program	Designates the provisions of the TRL authorizing the CalSTRS member home loan program as the Dave Elder CalSTRS Member Home Loan Program Act. Note: No program or fiscal changes to existing program.	Chapter 11, Statutes of 1990
AB 2552 (Quackenbush) Intro 1/4/90	TSA Program	Makes various changes to the current CalSTRS TSA program by authorizing CalSTRS to operate the plan through one or more third-party carriers with choices of investment options and to offer the program to all employees of any state or local public agency, which employs persons in positions eligible for CalSTRS membership.	Chapter 831, Statutes of 1990
AB 2609 (Hughes, et al) Intro 1/16/90	Golden Handshake	As an urgency measure, reestablishes until December 31, 1993, the CalSTRS "Golden Handshake" program, which permits school employers to provide CalSTRS members with two additional years of service credit at retirement if certain conditions are met. Sponsor: California Teachers Association	Chapter 996, Statutes of 1990; effective 9/18/90
AB 3042 (Elder) Intro 2/21/90	Member applications; spouse signature requirements	Requires that a CalSTRS member's application for a Member-Only Benefit contain the signature of the member's spouse unless certain conditions are met. Permits a spouse who refuses to sign this type of application to be treated as a "nonmember spouse," therefore, petition the court to divide the retirement benefit as community property.	Chapter 1390, Statutes of 1990

1990 State Legislation (1989–90 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 4048 (Elder, et al) Intro 3/2/90	Postretirement Earnings Limit	Increases the CalSTRS post retirement earnings limit to $15,000, up from the previous $8,950, per school year. This amount would be adjusted annually by the amount of increase in the CCPI. Sponsor: Long Beach Unified School District	Chapter 903, Statutes of 1990
AB 4129 (Hughes) Intro 3/2/90	CalSTRS Technical Housekeeping	Makes technical, corrective and clarifying changes in various provisions of the TRL. Sponsor: CalSTRS	Chapter 560, Statutes of 1990
AB 4284 (Elder, et al) Intro 3/2/90	Retirement after reinstatement from disability	As an urgency measure, provides for separate alternative calculations of post disability service retirement allowances depending upon whether the post disability service was for less than, or more than, three years.	Chapter 1201, Statutes of 1990; effective 9/22/90
ABX1 53 (Elder) Intro 11/3/89	CalSTRS/ CalPERS loan; natural disaster	Authorizes CalSTRS to establish a loan program to assist currently employed members and retirees in obtaining loans from CalSTRS for the sole purpose of repairing or rebuilding homes damaged by a natural disaster. Sponsor: Santa Cruz County	Chapter 35X, Statutes of 1990
AJR 38 (Elder) Intro 3/10/89	School Lands; Elk Hills	Memorializes the President and Congress to recognize the right of the state to two school land sections within the Elk Hills Petroleum Reserve and to make them available to the state. Revenue from school land sections is used for supplemental payments to benefit recipients whose purchasing power has fallen below 75 percent of original purchasing power. Sponsor: California Retired Teachers Association	Chapter 50, Statutes of 1990
AJR 71 (Bentley, et al) Intro 2/15/90	Health benefits; retired teachers	Memorializes Congress to establish a process by which CalSTRS retirees could purchase the quarters needed to meet Medicare Part A eligibility. Sponsor: California Retired Teachers Association	Chapter 100, Statutes of 1990
SB 682 (C. Green) Intro 2/27/89	Options settlements	Adds two new additional option settlements, Options 6 and 7, allowing a return to the Member-Only Benefit if the designated option beneficiary predeceases the retiree. Sponsor: California Retired Teachers Association	Chapter 97, Statutes of 1990

1990 State Legislation (1989–90 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 1131 (McCorquodale) Intro 3/8/89	Investments; soft dollars	Places new disclosure requirements on governmental investors with regard to soft dollars and directed brokerage arrangements.	Chapter 709, Statutes of 1991
SB 1370 (C. Green, et al) Intro 3/9/89	Elder Full Funding Act	As an urgency measure, revises the annual General Fund contribution to CalSTRS to a level that provides full funding of normal cost and provides for the amortization of the CalSTRS unfunded obligation. Sponsor: California Retired Teachers Association	Chapter 460, Statutes of 1990; effective 8/1/90
SB 2469 (C. Green) Intro 2/28/90	Benefits Study	Appropriates $50,000 to pay the costs of contracting for consulting services to study the equity of the present benefits available under CalSTRS.	Chapter 1172, Statutes of 1990
SB 2473 (C. Green) Intro 2/28/90	General Fund Contributions	Repeals the provision requiring the State General Fund to contribute .25 percent of CalSTRS' member salaries for the conversion of unused sick leave to CalSTRS credit and makes the contribution the responsibility of the employer.	Chapter 876, Statutes of 1990
SCR 84 (Hart) Intro 2/26/90	Investments; Valdez Principles	Requests CalSTRS/CalPERS to take shareholder action respecting the Valdez Principles, a code of conduct for corporate activities affecting the environment.	Resolution Chapter 131, Statutes of 1990
SJR 70 (McCorquodale) Intro 5/31/90	Investments; Corporations Governance	Requests the SEC to evaluate the corporate election process for the purpose of changing its rules to provide for 1) proxy rules to allow for open and clear communication among shareholders and corporations and 2) confidential voting with independent tabulation of results; and 2) provides for the State Senate Commission on Corporate Governance, Shareholder Rights and Securities Transactions to actively participate with the SEC in accomplishing these goals.	Resolution Chapter 113, Statutes of 1990

1989 State Legislation (1989–90 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 50 (Elder) Intro 12/6/88	Section 415 Limits; Annual Report Requirements	1) Amends CalSTRS law to comply with IRC section 415 benefit limitations. Prevents the System from losing its "tax qualified plan" status and avoids adverse tax consequences for CalSTRS and CalSTRS members; and 2) requires book value return as a performance measure to be included in the Annual Report.	Chapter 1004, Statutes of 1989
AB 59 (Elder) Intro 12/6/88	Clarifies fiduciary liability	Restructures and revises the CalSTRS fiduciary liability provisions to clarify the scope of personal liability of the Board and certain CalSTRS employees.	Chapter 542, Statutes of 1989
AB 122 (Filante) Intro 12/12/88	Rule of 85	Would have added an additional, optional, Rule of 85 early retirement incentive provision to permit service retirement at or over age 50 without any actuarial reduction in the normal retirement age factor (age 60) if the total of the member's age and credited service is at least 85. The employer would have been required to pay the actuarial present value cost of the increased allowance plus related CalSTRS administrative costs. The Governor vetoed this bill because CalSTRS members already have the option to retire before age 60, but with a reduced retirement allowance; school districts, when feasible, may offer Golden Handshake programs; the program is very costly and would divert funds from the classroom; concerns with the impact of Purchasing Power Protection earlier than normal retirement; and future impact on Section 415 limits and potential for CalSTRS to lose its federal tax exempt status. Sponsor: Marin County Superintendents	Governor Veto (9/25/89)
AB 123 (Elder) Intro 12/12/88	Retirement calculation factors	Provides, subject to a collective bargaining agreement entered into by the member's employing school district and payment to CalSTRS for additional benefits paid, that the "final compensation" period for "classroom teachers," as defined, who retire after June 30, 1990, shall be the highest 12 consecutive months. Final compensation is one of the three factors used to determine CalSTRS retirement benefits. (The two other factors are length of service and age at the time of retirement.) Sponsor: Untied Teachers of Los Angeles	Chapter 1184, Statutes of 1989

1989 State Legislation (1989–90 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 265 (Elder) Intro 1/12/89	Medicare election	Authorizes employers to apply to PERS during the period of July 1, 1990, to July 1, 1993, to conduct elections to permit employees who held positions covered by this System on March 31, 1986, to elect to be covered by the federal Medicare program. Both the employer and employee would have to pay the required rates for the coverage. Note: CalSTRS has no role in any such election, nor would it affect any CalSTRS benefits. Sponsor: California Teachers Association	Chapter 1006, Statutes of 1989
AB 1105 (Hughes) Intro 3/1/89	Disability Leave	As an urgency measure, would have required the governing board of a school district to grant a leave of absence to any certificated employee who applied to CalSTRS for a disability allowance and, if the employee is determined by the System to be eligible for the disability allowance, requires the employee's leave of absence to be extended for the term of the disability, but not more than 39 months. The Governor determined this bill to be similar to another bill he vetoed in 1987 (AB 420 – Hughes). Granting a disability leave of absence is discretionary and should be bargained at the local level, not mandated in state law. Sponsor: Untied Teachers of Los Angeles	Governor Veto (9/16/89)
AB 1284 (Quackenbush) Intro 3/3/89	CalSTRS/ CalPERS; Chief Investment Officer issues	Authorizes the Board and the CalPERS Board to meet in closed session to consider matters pertaining to the recruitment or removal of the Chief Investment Officer of each System and adds authorization for the CalPERS Board to meet in closed session to consider personnel matters pertaining to the Chief Executive Officer.	Chapter 177, Statutes of 1989
AB 1769 (Roos) Intro 3/9/89	Investments; deteriorated housing	Would have required CalSTRS/CalPERS to study the feasibility, consistent with their fiduciary duties, of investing in community projects for housing in deteriorated neighborhoods and to report their findings and recommendations to the Legislature by January 1, 1991. The Governor determined that these retirement systems were to act as trustees to invest the funds of their members safely and prudently and should not be mandated to study placing funds in speculations where earnings, if any, are questionable.	Governor Veto (9/26/89)

1989 State Legislation (1989–90 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 1929 (Epple) Intro 3/9/89	Investments; shareholder voting rights	Allows companies that incorporate in California to divide their board of directors into two or three classes to serve terms of two or three years. It also allows them to either eliminate cumulative voting or to restrict cumulative voting to each class. This could have an impact upon the way CalSTRS exercises its rights as a shareholder during proxy voting.	Chapter 876, Statutes of 1989
AB 2443 (Burton, et al) Intro 3/10/89	Investments; Northern Ireland	Would have required the governing body of each state retirement system to: 1) annually investigate the extent to which U.S. corporations operating in Northern Ireland with which the retirement system's assets are invested adhere to the principles of nondiscrimination and freedom of workplace opportunity; and 2) whenever feasible, sponsor, co-sponsor, or support shareholder resolutions designed to encourage corporations in which the system has invested to pursue a policy of affirmative action in NI. Sponsor: American Irish Political Education Committee	Governor Veto (9/26/89)
SB 683 (C. Green) Intro 2/27/89	Workload balancing programs; spousal signature requirements	Authorizes governing boards of Community College districts to adopt workload balancing programs, subject to the TRL, for certificated employees; requires a spousal signature to withdraw CalSTRS annuity deposits. Sponsor: Faculty and Administration of California Community Colleges	Chapter 270, Statutes of 1989
SB 684 (C. Green) Intro 2/27/89	Scientific surveys of CalSTRS membership	Would have required CalSTRS to establish procedures for evaluating and implementing requests of organizations and agencies to conduct scientific surveys of the membership. The Governor had concerns with any bill that would authorize scientific surveys not relative to retirement issues and perceived this to be inconsistent with CalSTRS' primary mission. Also, there was no way to predict the workload for allocation of resources through the budget process. Sponsor: California Teachers Association	Governor Veto (9/19/89)

1989 State Legislation (1989–90 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 686 (C. Green) Intro 2/27/89	Emergency Payment of Benefits	1) Adds option beneficiaries to the benefit recipients who would receive interest due to the late payment of monthly allowances; and 2) authorizes CalSTRS to make payments of 75 percent of the return of accumulated retirement contributions, on an emergency basis, to persons who have terminated CalSTRS membership.	Chapter 327, Statutes of 1989
SB 751 (Royce) Intro 3/1/89	CalSTRS Technical Housekeeping	Makes technical, corrective and clarifying changes in various provisions of the TRL. Sponsor: CalSTRS	Chapter 118, Statutes of 1989
SB 915 (McCorquodale) Intro 3/6/89	Investments; corporate governance center	Would have established the California Center for Corporate Research to facilitate the study and understanding of issues concerning corporate governance and shareholder rights. Governor determined the bill was unnecessary since there are already three centers for corporate governance in the U.S. studying these issues; there is nothing precluding the University of California, or any other university, from establishing its own private center; and, it was unclear whether this center was private sector or a governmental entity subject to civil service rules, conflict of interest rules, budgetary oversight or other similar restrictions.	Governor Veto (9/29/89)
SB 1039 (C. Green) Intro 3/7/89	Modify Post-retirement Earnings Limit	Changes the indexing of the CalSTRS post-retirement earnings limit from 50 percent to 100 percent of the change in the CCPI. Sponsor: California Federation of Teachers	Chapter 227, Statutes of 1989
SB 1093 (Presley) Intro 3/8/89	CalSTRS/ CalPERS; affordable housing	As an urgency measure, requires CalPERS/ CalSTRS to join with the Department of Housing and Community Development, Treasurer's Office and the California Housing Authority to determine what can be done to produce affordable housing in rural communities with prisons. CalPERS/CalSTRS would be required to jointly participate in preparing a report with recommendations to the Governor and Legislature by January 15, 1990.	Chapter 1338, Statutes of 1989; effective 10/2/89

1989 State Legislation (1989–90 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 1407 (C. Green, et al) Intro 3/9/89	SBMA; purchasing power; annual transfer from General Fund	Establishes funding mechanism, the Supplemental Benefit Maintenance Account, requiring an annual transfer from the General Fund to restore purchasing power of CalSTRS benefits. Amount transferred to increase annually to a maximum of 2.5 percent of the statewide teacher payroll. This bill was double-joined with SB 1513.	Chapter 115, Statutes of 1989
SB 1513 (W. Campbell, et al) Intro 3/10/89	SBMA; purchasing power adjustments	Requires annual distribution of the proceeds of the SBMA, in non-vested quarterly payments, to members and their beneficiaries to restore benefit purchasing power to up to 68.2 percent of its original purchasing power. This bill was double-jointed with SB 1407. Sponsor: California Retired Teachers Association	Chapter 116, Statutes of 1989
SB 1605 (Stirling) Intro 3/10/89	Retirement homes	Would have authorized: 1) various state retirement systems including CalSTRS to establish, operate, or enter into joint ventures or contracts for services for retirement homes for their respective retired members; 2) retired members entering those homes to elect direct payment of all or part of their retirement allowances to the homes, as specified; and 3) CalSTRS/CalPERS to buy, build, finance, or enter into joint ventures to provide low and moderate income housing for their active and retired members. The Governor determined that various public retirement systems were not prepared in terms of experience or personnel to enter into this unfamiliar area; CalSTRS should concentrate on its primary mission to provide retirement benefits to its members and manage its investment programs in a prudent and successful manner; and, the investments could result in CalSTRS being subjected to unrelated business income taxes.	Governor Veto (9/26/89

1988 State Legislation (1987–88 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 59 (Elder) Intro 12/3/86	Disbursement of revenue; Elk Hills	Requires any revenues related to the State's claim to school lands within the Elk Hills Naval Petroleum Reserve to be deposited into the School Land Bank Fund. Interest earnings will go to the TRF for distribution on a pro-rata basis to CalSTRS benefit recipients whose payments are below 75 percent of purchasing power. Sponsor: California Retired Teachers Association	Chapter 985, Statutes of 1988
AB 147 (Elder) Intro 12/19/86	Supplemental Social Security Plan; alternative retirement plan	Requires CalSTRS to develop an alternative retirement plan recommendation to provide members an adequate retirement benefit for use if benefits are coupled with Social Security and to submit the recommendation to the Legislature by March 1, 1989.	Chapter 743, Statutes of 1988
AB 1982 (O'Connell) Intro 3/6/87	Credit for out-of-state service	Would have authorized a member who retires after January 1, 1989, to elect to receive additional service credit for out-of-state service, as specified, if the member pays all contributions at the rate for additional service credit at the time of election and precludes such purchased service from being eligible for specified post-retirement quarterly supplemental payments. The Governor vetoed a similar bill in 1986 viewing these provisions as a liberal expansion of retirement benefits not available to members who have served their full careers in California and that the purchase price would not cover actual costs of the extra retirement allowance resulting in an increase of CalSTRS' unfunded liability, which would be counterproductive to maintaining the retirement plan in a financially sound condition. Sponsor: California Federation of Teachers	Governor Veto (9/29/88)
AB 2874 (Elder)	Investments; reporting requirements	Requires the Board to submit to the Legislature, by November 1 of each year, a report of the un-audited investment data compiled for the preparation of the annual report required in Education Code Section 22308.	Chapter 902, Statutes of 1988; effective 1/1/89

1988 State Legislation (1987–88 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 2882 (Elder) Intro 1/28/88	One-year final compensation for classroom teachers	Would have provided that "final compensation" shall mean the highest annual compensation earnable by the member who is a classroom teacher, as defined, during any period of 12 consecutive months during his or her membership in CalSTRS. The Governor was concerned with increasing retirement allowances for certain CalSTRS members without providing a funding source to support the increase ($142.5 million the first year), therefore increasing CalSTRS' unfunded liability by $250 million per year; putting pressure on CalPERS to offer comparable benefits; and, creating a distinction in benefits between classroom teachers and other CalSTRS members. Sponsor: California Teachers Association, United Teachers of Los Angeles	Governor Veto (9/30/88)
AB 2885 (Elder) Intro 1/28/88	Service credit for leave of absence	Increases the maximum amount of retirement service credit earnable by an active CalSTRS member on an approved leave to serve as an elected member of an employee organization, from a maximum of 8 years to a maximum of 12 years. Sponsor: United Teachers of Los Angeles	Chapter 688, Statutes of 1988
AB 2890 (Elder) Intro 1/28/88	Modify Member Home Loan Program	Authorizes the Board to add owner-occupied 2-4 family dwellings to the CalSTRS Member Home Loan Program.	Chapter 408, Statutes of 1988
AB 3172 (Elder) Intro 2/10/88	Remittance notification	Requires CalSTRS to send a copy of the benefit payment information to the home address of persons whose payments are transmitted directly to their financial institution for deposit beginning July 1, 1989. Sponsor: California Retired Teachers Association	Chapter 792, Statutes of 1988
AB 3194 (Elder) Intro 2/10/88	Teachers' Retirement Board	Would have required that the 3 CalSTRS members and the retired member of the TRB shall be elected to the Board from their respective constituencies. There is no supporting evidence that CalSTRS would be better serviced by elected Board members in lieu of appointed members and there are substantial administrative costs and workload associated with the election process. Sponsor: Association of Retired Teachers	Governor Veto (8/19/88)

1988 State Legislation (1987–88 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 3195 (Elder) Intro 2/10/88	Military service credit	Authorizes state employee members and certain retirees of CalSTRS to elect to purchase up to four years of military service credit. Sponsor: California State Employees Association	Chapter 370, Statutes of 1988
AB 3271 (Filante) Intro 2/11/88	Rule of 85	Would have added an additional, optional, Rule of 85 early retirement incentive provision to CalSTRS, which would permit service retirement at or over age 50 without any actuarial reduction in the age 60 retirement factor if the total of the member's age and credited service is at least 85. Employers would be required to pay the actuarial present value cost of the increased allowance plus related CalSTRS Administrative Costs. The Governor determined that funding this program would divert funds from the classroom; adding early incentives for retirement to experienced educators with many productive years of service remaining in their careers is contrary to predictions of teacher shortages; and, it places retirees in a position to require purchasing power protection earlier than normal. Sponsor: Marin County Superintendents	Governor Veto (9/20/88)
AB 3409 (Frizzelle) Intro 2/16/88	Subrogation Program	Permits the Board to initiate a program to recover benefits paid as a result of the death of or injury to a CalSTRS member caused by a third person (other than the employer).	Chapter 380, Statutes of 1988
AB 3887 (Grisham) Intro 2/18/88	CalSTRS Technical Housekeeping	1) Deletes a provision requiring CalSTRS to notify retirees of income tax liabilities which were made obsolete by the Federal Tax Reform Act of 1986; 2) renumbers a section of the definitions chapter to be in alphabetical order; 3) clarifies that the Board may contract with investment managers to monitor and advise the Board on the voting of shares owned by CalSTRS and advise on responses to other corporate governance matters; 4) clarifies that the original disability allowance date be retained as the base date for determining post retirement benefit increases only when there is a continuous benefit from CalSTRS when a disability allowance is converted to a service retirement allowance; and 5) deletes a reference to a repealed section of the Education Code. Sponsor: CalSTRS	Chapter 382, Statutes of 1988

1988 State Legislation (1987–88 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 4095 (Elder) Intro 2/19/88	CalSTRS/ CalPERS; fiduciary standards review	Requires the Board and the Board of Administration of CalPERS to review their fiduciary standards and report to the Legislature all recommended changes and additions to current statute by March 1, 1989.	Chapter 241, Statutes of 1988
SB 451 (Beverly) Intro 2/18/87	Investments; corporate governance standards	Creates a qualification exemption for companies whose securities are traded on the National Market System of the National Association of Securities Dealers, Inc. Sponsor: National Association of Securities Dealers	Chapter 716, Statutes of 1988
SB 959 (McCorquodale) Intro 3/4/87	70% Purchasing power protection for 1989/90	Would have increased the purchasing power of CalSTRS benefit recipients to 70 percent of their original purchasing power for fiscal year 1989–90 and 75 percent in 1990–91 at a cost of $160 million in the first year. The Governor stated that he already provides funds for the maintenance of 68.2 percent of original purchasing power to offset inflation for retired teachers and suggested that further enhancements should be considered during the normal budget process. Sponsor: Association of Retired Teachers	Governor Veto (9/30/88)
SB 1190 (Lockyer) Intro 3/5/87	Separate account for nonmember spouse	Requires CalSTRS, pursuant to a court order, to establish a separate account for service credit and contributions and interest awarded a nonmember spouse in a division of community property. The nonmember spouse would be eligible to elect a retirement allowance or a refund of contributions and interest.	Chapter 542, Statutes of 1987; effective 8/24/88; retroactive to 6/1/88
SB 1600 (Garamendi) Intro 3/6/87	Investments; voting records disclosure	Requires anyone authorized to vote shares of stock owned by others to maintain a record of how the shares are voted and make disclosure of this information. Sponsor: Senate Commission of Corporate Governance, Shareholder Rights and Securities Transactions	Chapter 1360, Statutes of 1988

1988 State Legislation (1987–88 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 2060 (McCorquodale) Intro 2/1/88	Investments; prohibits greenmail and hushmail	Would have prohibited target corporations, as defined, from repurchasing more than 3 percent of its equity securities for more than the post-disclosure market price, as defined, from shareholder or beneficial owner unless approved by the board of directors and shareholders, except as specified. The Governor vetoed a similar bill last year and although he rejects the practice of "greenmail," his concern was that the 3 percent purchasing limit proposed may be overly prescriptive, the definition of "target" corporation may be unconstitutional and further stated that interstate regulation was the appropriate way to proceed. He also stated that he would welcome federal legislation to address the issue. Sponsor: Senate Commission on Corporate Governance, Shareholder Rights and Securities Transaction.	Governor Veto (9/19/88)
SB 2080 (Royce) Intro 2/12/88	Exemption from Probate Code; application for death benefits	As an urgency measure, expedites death claim payments by authorizing beneficiaries to apply for CalSTRS payment of death benefits under certain conditions without the 40-day waiting period currently required in Section 13101 of the Probate Code.	Chapter 462, Statutes of 1988; effective 8/22/88
SB 2082 (Royce) Intro 2/12/88	Membership qualifications for substitutes and part-time employees	Requires teachers who have performed 100 or more complete days of substitute service, or 60 hours (10 days) or more of part-time service in a pay period, in one school district or county superintendent's office become members on the first day of the following pay period. Sponsor: Orange County Office of Education	Chapter 497, Statutes of 1988
SB 2552 (Keene) Intro 2/19/88	Investments; requirement for independent financial opinion	Requires an independent financial opinion that a proposal for a corporate reorganization, sale of assets or tender offer is fair to the shareholders. If there is more than one proposal received, the first proposal may not be consummated without allowing shareholders a reasonable opportunity to consider the record. Sponsor: Senate Commission of Corporate Governance, Shareholder Rights and Securities Transactions	Chapter 265, Statutes of 1988; effective 7/5/88

1988 State Legislation (1987–88 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 2578 (Robbins, et al) Intro 2/19/88	Investments; insider trading/securities practices	Makes various additions and amendments to the Corporations Code related to insider trading and other fraudulent securities practices. Sponsor: Senate Commission of Corporate Governance, Shareholder Rights and Securities Transactions	Chapter 1339, Statutes of 1988
SB 2648 (Kopp) Intro 2/19/88	Clarifying statute; errors and omissions	Clarifies the statutes pertaining to the correction of errors and omissions. Sponsor: CalPERS	Chapter 1089, Statutes of 1988
SB 2680 (C. Green) Intro 2/19/88	Spousal signature on disbursements	Would have required a spousal signature on forms for applications to withdraw CalSTRS accumulated annuity deposit contributions; and authorized governing boards of community college districts to adopt workload balancing programs for certificated employees, as specified. Sponsor: Faculty and Administration of California Community Colleges	Governor Veto (9/23/88)
SB 2682 (C. Green) Intro 2/19/88	Statute of Limitations; adjustments of errors/omissions	Sets a statute of limitations of three years for adjustments of errors or omissions for purposes of payments into or out of the TRF. Sponsor: California Retired Teachers' Association	Chapter 739, Statutes of 1988

1987 State Legislation (1987–88 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 165 (Stirling) Intro 12/29/86	Ancillary benefit disclosure requirements	Requires each quarterly supplemental benefit maintenance payment be accompanied by a specified statement regarding the contingent nature of those payments.	Chapter 123, Statutes of 1987
AB 763 (Frizzelle) Intro 2/19/87	Determining creditable and noncreditable earnings	1) Authorizes the Board to determine what payments are or are not compensation and salary for retirement purposes when compensation and salary issues are in question (creditable vs. noncreditable earnings); and 2) adds clarifying definitions for the protection of the TRF and for improvement in operating efficiency.	Chapter 76, Statutes of 1987
AB 960 (Hughes, et al) Intro 2/26/87	Golden Handshake	Extends the CalSTRS Golden Handshake Program through June 30, 1990. There is, however, a six-month period from July 1, 1987, through December 31, 1987, when the provisions of this bill are not operative. Sponsor: Association of California School Administrators, California Teachers Association	Chapter 601, Statutes of 1987
AB 1102 (Elder) Intro 3/2/87	Actuarial valuation requirements	1) Requires that the actuarial valuation report of the System's assets and liabilities include the components of normal cost and adequate information to determine the effects of changes in actuarial assumptions; 2) requires the actuarial report be transmitted to the Governor and Legislature; 3) extends the sunset date of a provision of law requiring CalSTRS to give priority to investing 25 percent of funds available for new investments in California residential realty; and 4) moved this provision from the Financial Code to the Education Code. Sponsor: Variable Annuity Life Insurance Company	Chapter 416, Statutes of 1987
AB 1424 (Calderon) Intro 3/4/87	TSA Program; administration	Provides that any TSA program operated by CalSTRS must provide all operating costs and expenses without subsidy from the TRF and also prohibits CalSTRS from utilizing its member mailing list for the purpose of transmitting information dedicated solely to advertising or marketing this program. Sponsor: Variable Annuity Life Insurance Company	Chapter 1419, Statutes of 1987

1987 State Legislation (1987–88 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
AB 2041 (Hughes) Intro 3/6/87	Disabled members; limitations	Would have permitted CalSTRS to pay a disability allowance to a disabled member who had filed a pre-retirement election of an option and would permit a disabled member to file for a pre-retirement election of an option. The Governor determined that the cost of providing pre-retirement survivor benefit options to active members of CalSTRS and allowing disabled members to file for those options would increase annual costs and contribute to CalSTRS' unfunded liability. Sponsor: California Federation of Teachers	Governor Veto (9/27/87)
AB 2042 (Hughes) Intro 3/6/87	Postretirement benefit increases; service retirement	Defines the initial effective date when applying post retirement benefit increases at the time a disability allowance is converted to a service retirement allowance.	Chapter 327, Statutes of 1987
AB 2192 (Grisham) Intro 3/6/87	CalSTRS Technical Housekeeping	1) Adds clarifying changes related to CalSTRS investment managers; 2) deletes obsolete report requirements related to the transition of the CalSTRS investment function from CalPERS; 3) clarifies various CalSTRS plan design aspects related to "normal retirement age;" 4) deletes a reference to a repealed section of the Education Code; 5) adds a clarifying change related to the collection of overpayments; and 6) adds a technical amendment related to the CalSTRS Reduced Workload Program.	Chapter 330, Statutes of 1987
SB 200 (Roberti, et al) Intro 1/20/87	Litigation; closed session requirements	1) Provides, among other things, that a state body prior to holding a closed session to discuss litigation must require its legal counsel to prepare and submit a memorandum stating the specific reasons and legal authority for closed session; and 2) specifies that all expressions of lawyer-client privilege other than those provided in the litigation subdivision are abrogated. Sponsor: California Newspaper Publishers	Chapter 1320, Statutes of 1987
SB 748 (Royce) Intro 3/2/87	Modify refund of contributions; member exclusions	1) Authorizes the Board, in the refunding of contributions, to dispense with the collection of amounts due from former members if the amount is $50 or less; and 2) codifies administrative procedure by specifically excluding student interns, participants in the New Careers Program, instructional aides and teacher aides from CalSTRS membership.	Chapter 373, Statutes of 1987; effective 1/1/88

1987 State Legislation (1987–88 Legislative Session)

Initiative	Subject	Summary/Benefit(s)	Chapter # or Status
SB 990 (McCorquodale) Intro 3/4/87	Concurrent retirement	Authorizes concurrent retirement for CalSTRS members with less than five years of CalSTRS service who move to employment covered by the Legislators' Retirement System.	Chapter 1312, Statutes of 1987; effective 1/1/88
SB 998 (Hart) Intro 3/4/87	Education Code Housekeeping	Major clean-up of non-substantive items in the Education Code.	Chapter 1452, Statutes of 1987; effective 1/1/88
SB 1130 (McCorquodale) Intro 3/5/87	Errors & Omissions	Authorizes the Board to correct errors or omissions due to inadvertence, oversight, mistake of fact, mistake of law, or other cause by the Board, the System, employers, members, or their beneficiaries.	Chapter 376, Statutes of 1987; effective 1/1/88
SB 1131 (McCorquodale) Intro 3/5/87	Teachers' Retirement Board; Community College member	Provides reimbursement to a Community College district for the cost of a replacement instructor when the regular instructor, while serving as an appointed Board member, is on official System business.	Chapter 1395, Statutes of 1987; effective 1/1/88
SB 1194 (Robbins) Intro 3/5/87	Investments; shareholder rights	Requires specified corporations, upon written request of a shareholder, to inform the shareholder of the result of any particular vote taken at specified meetings for a period of 60 days following the conclusion of the meeting. Sponsor: Commission of Corporate Governance, Shareholder Rights and Securities Transactions	Chapter 408, Statutes of 1987; effective 1/1/88
SB 1464 (Keene) Intro 3/6/87	Investments; shareholder rights	Mandates an independent appraisal on a leveraged buy out offer by management to protect the interests of shareholders. Sponsor: Commission of Corporate Governance, Shareholder Rights and Securities Transactions	Chapter 627, Statutes of 1987; effective 1/1/88

Glossary

Glossary

Active Member (Previously "Member")

Member of the Defined Benefit Program who has performed creditable service within the last school year

Actuarial accrued liability

Present value of benefits payable in the future to current members or participants

Actuarial equivalent

Two benefits of equal present value, using mortality tables and interest rates adopted by the Board

Actuarial experience analysis

Actuarial investigation of the plan's experience examining the factors influencing the cost of a retirement plan; it includes economic factors, such as inflation, return on investment, and wage increases, as well as non-economic factors, such as mortality and rates of retirement, and is the basis for adopting valuation assumptions

Actuarial gains and losses

Effect on the cost of a plan when actual experience differs from the assumptions used in determining the cost (because assumptions are long range and current experience fluctuates over the short range, actuarial gains and losses are normal occurrences and are not significant unless either gains or losses caused by the same factor consistently occur over an extended period of time)

Actuarially assumed rate of return

Long-term annual rate of return of investment assumed in the valuations

Actuarial reduction

A factor applied to reduce a CalSTRS benefit to account for the fact that the benefit will be paid for longer than assumed or over multiple lifetimes

Actuarial valuation

Determination, as of a given date, of the present value of expected future liabilities of a pension plan, the assets of the plan, the actuarial unfunded obligation, the normal cost rate, the future salaries of members, and the resulting amortization rate for the actuarial unfunded obligation over a specified period

Additional annuity credit

A lump-sum amount paid to members, participants, and beneficiaries, who are receiving an annuity under the Defined Benefit Supplement Program or the Cash Balance Benefit Program, when investment earnings have exceeded what is necessary to meet the liabilities of the program; this lump sum may be paid when the Board also grants additional earnings credits to active members and participants

Additional earnings credit

A percentage increase to the account balance of Defined Benefit Supplement Program members and Cash Balance Benefit Program participants that is granted by the Board when investment earnings have exceeded what is necessary to meet the liabilities of the program

Ad hoc adjustment

A one-time percentage increase in the beginning monthly allowance paid to a specific group of members or beneficiaries that is authorized and prescribed by law

Age factor

The percentage of final compensation that a member will receive as a retirement benefit for every year worked; the age factor is based on the member's age on the last day of the month in which the retirement is effective

Amortization rate

The contribution rate (usually expressed as a level percentage of payroll) needed to eliminate the unfunded obligation over a specified time; this rate is affected by changes in experience, underpayment or overpayment of contributions, and by plan changes that apply to service performed prior to the valuation date

Annual benefit adjustment

An increase equal to 2 percent of the allowance on the date the benefit started; the allowance is increased on September 1 of each year for all members that have been receiving a benefit for at least one year; CalSTRS' annual benefit increase is not compounded

Annuitant reserve

Reserve established within the Teachers' Retirement Fund to which assets from a member's Defined Benefit Supplement Program account, or a participant's Cash Balance Benefit Program account, are transferred when the participant has elected to receive a benefit payment in the form of an annuity

Annuity

For the Member-Only Defined Benefit Supplement or Participant-Only Cash Balance annuity, it is a lifetime monthly payment; any balance remaining upon the member's or participant's death will be paid to the one-time death benefit recipient or recipients

Annuity Beneficiary

Person(s) designated by a member to receive an annuity under the Defined Benefit Supplement Program or the Cash Balance Benefit Program upon the death of the member

Barnes Act

Part 13 and 14 of the Education Code, governing administration of the Teachers' Retirement Plan; formal name is the "E. Richard Barnes Act," otherwise known as the Teachers' Retirement Law

Basis of employment

Standard of time over which the employer expects service to be performed by an employee during the school year

Beneficiary

Person(s) or entity(ies) designated by the member to receive a benefit or lump-sum payment under the Defined Benefit Program upon the death or disability of the member; under the Defined Benefit Supplement Program and the Cash Balance Benefit Program, it is the person(s) or entity(ies) designated by the member or participant, respectively, to receive a final benefit upon the death of a member or participant

Benefit

Monthly or lump-sum payment made to a retired member, disabled member, retired participant, disabled participant, or beneficiary

Board

The 12-member Teachers' Retirement Board that administers the Teachers' Retirement Plan and the Medicare Premium Payment Program

California service

Employment service performed in California for which service credit may be given

California State Teachers' Retirement System (CalSTRS)

The agency with responsibility to administer the Teachers' Retirement Plan, which is overseen by the Teachers' Retirement Board and governed by Parts 13 and 14 of the Education Code

Career factor (Previously "Career bonus")

An increase to the percentage of final compensation on which a member's Defined Benefit service retirement allowance is based; to be eligible for the increase, a member must have retired on or after January 1, 1999, with 30 or more years of credited service; the percentage of final compensation is increased by two-tenths of 1 percentage point to a maximum of 2.40 percent

Cash Balance Benefit Program (CB Benefit Program)

Program within the State Teachers' Retirement Plan available to persons employed to perform creditable service for less than 50 percent of full-time for employers who have elected to offer the program

Certificated

Holding by a person of a credential required by law to be held as a condition of valid employment in the position in which the person is employed

Class of employees

Group of employees who perform similar duties, are employed in the same type of program, or share other similarities related to the work being performed

Compensation earnable

Annual creditable compensation a person would earn during a school year if that person was employed on a full-time basis and worked full-time in that position

Concurrent membership

Membership in the Defined Benefit Program by an individual who is credited with service that is not used as a basis for benefits under any other public retirement system and who is also a member of the California Public Employees' Retirement System, the Legislators' Retirement System, the University of California Retirement System, county retirement systems established under Chapter 3 (commencing with Section 31450) of Part 3 of Division 4 of Title 3 of the Government Code, or the San Francisco Employees' Retirement System; members with concurrent membership are eligible for specific benefits, including the right to redeposit previously refunded contributions without being re-employed in a position subject to coverage in that retirement system and to have final compensation computed based on the highest compensation under either system

Concurrent retirement

Simultaneous retirement from the Defined Benefit Program and another specified California public retirement system, in which final compensation for purposes of calculating a retirement allowance is based on the highest final compensation calculated for any of the eligible retirement systems, if service was not performed concurrently

Contribution rate

Percentage of creditable compensation required to be paid by a member, participant, or employer to finance the benefits provided under the State Teachers' Retirement Plan

Coverage A

Program of disability and family allowances available to persons who were members of the Defined Benefit Program prior to October 16, 1992, and did not elect Coverage B

Coverage B

Program of disability and survivor benefits available to persons who became members on or after October 16, 1992, or were members of the Defined Benefit Program prior to October 16, 1992, and elected Coverage B

Creditable compensation (Previously "Creditable earnings")

In the Defined Benefit Program, the salary or other remuneration payable in cash by an employer to a member for creditable service

Creditable service

Specified service performed for an employer in a position requiring a credential, certificate, or permit pursuant to the Education Code, or under standards adopted by the Board of Governors of the California Community Colleges, or under the provisions of an approved charter for a charter school eligible to receive a state apportionment

Credited interest

Interest that is credited to active members' and inactive members', accumulated retirement contributions, and accumulated annuity deposit contributions at a rate set annually by the Board as a plan amendment with respect to the Defined Benefit Program

Credited service

Service for which required contributions have been paid and used to determine eligibility for an allowance payable under the Defined Benefit Program; may also include up to two-tenths of one year of service granted pursuant to Section 22717

Death benefit

The benefit payable under the Cash Balance Benefit Program upon the death of the participant

Death payment

Amount payable to the beneficiary of a member of the Defined Benefit Program upon the member's death; also referred to as one-time death benefit

Defined Benefit Program (DB Program)

The primary retirement program within the Teachers' Retirement Plan and administered by the Teachers' Retirement Board for full-time, certificated employees of California public schools; the benefits payable under the Defined Benefit Program are based on a formula of age factor x service credit x final compensation = member's benefit; benefits are not directly dependent on the individual's (and/or employer's) contributions and the interest actually earned on those contributions; the contribution rate required for such a plan is determined through periodic valuations

Defined benefit plan

Retirement plan that specifies the benefit to be received after retirement, or the formula for determining such benefits; the benefits are not directly dependent on the member (and/or employer) contributions and the interest actually earned on those contributions; the contribution rate required for such a plan is determined through periodic valuations

Defined Benefit Supplement Program (DBS Program)

A supplemental retirement program administered by the Teachers' Retirement Board within the Teachers' Retirement Plan; the DBS Program is a hybrid cash balance program that provides a benefit based on the account balance and a guaranteed rate of credited interest; benefits are payable in a lump-sum, period-certain annuity, or lifetime annuity

Between January 1, 2001, and December 31, 2010, 25 percent of a member's 8 percent contribution was credited to the member's DBS account; the amount represents 2 percent of the member's creditable earnings; after December 31, 2010, the entire 8 percent contribution is credited to the Defined Benefit Program

The DBS Program is also credited with contributions for compensation earned from service that exceeds 1.000 year of service credit during the school year and limited term salary enhancements

Defined contribution plan

A plan that provides for an individual account for each participant and for benefits based solely on (1) the amount contributed to the participant's account plus (2) any income, expenses, gains and losses, and forfeitures of accounts of other participants that may be allocated to the participant's account

Disabled member

Member of the Defined Benefit Program receiving a disability benefit

Disabled participant

Participant in the Cash Balance Benefit Program receiving a disability benefit

Disability allowance

Applies to Coverage A; a feature of the Defined Benefit Program for individuals who became members on or before October 15, 1992, that provides income replacement for disabled members; the allowance is paid as long as the individual is disabled up to the age of 60 when the member becomes eligible for service retirement

Disability retirement benefit

Applies to Coverage B; a feature of the Defined Benefit Program for individuals who became members after October 15, 1992, or elected coverage during the special election held between October 1992 and April 1993; those receiving payments under this benefit program are "retired" and will be paid as long as they are disabled, without respect to age

Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA)

Federal legislation enacting a number of changes to federal law to enhance the portability of funds among different types of retirement plans, including 401(k), 403(b), 457 plans, IRAs, and 401(a) retirement plans; in addition, it increases the contribution limits to 403(b), 457, and 401(a) plans and increases the annual allowance limit for defined benefit plans

Employee Retirement Income Security Act of 1974 (ERISA)

Federal statutory framework that governs the administration of employee benefit plans and the rights of the beneficiaries under the plan; applies to any employee benefits plan if the plan is established or maintained by an employer engaged in commerce or by an employee organization representing employees engaged in commerce or in any industry or activity affecting commerce

Entry age normal cost method

An actuarial cost method under which the actuarial present value of projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages; CalSTRS uses this method for the valuation of the Defined Benefit Program

Family Allowance

A monthly amount paid to a member's surviving spouse or registered domestic partner with eligible dependent children after the death of the member; the maximum amount is 90 percent of final compensation: 40 percent to the spouse or partner, and 10 percent for each eligible dependent child, up to five children.

Final benefit

Lump-sum benefit payable to the beneficiary of a member under the Defined Benefit Supplement Program upon the member's death

Final compensation

Highest average annual compensation earnable by a member during any period of 12 consecutive months (if eligible) or three consecutive school years; for final compensation purposes, if a member earns compensation at multiple pay rates during a school year and service credit at the highest pay rate is at least .900 of a year, compensation earnable will be determined as if all service credit for that year had been earned at the highest pay rate

Full-time

Days or hours of creditable service the employer requires be performed by a class of employees in a school year to earn the compensation earnable for that class, subject to minimum standards for full time as specified in the Education Code

Full-time equivalent (FTE)

Time a person who is employed on a part-time basis would be required to serve in a school year if he or she were employed full-time in that position

Funding period

Time frame over which amortization occurs; it properly represents a specific date in the future at which time amortization is expected to be complete; this is known as a "closed" funding period; if contribution rates are fixed, the funding period will vary with each actuarial valuation; if contribution rates are adjusted after each actuarial valuation, the funding period is usually fixed and the contribution rate is adjusted to the level needed to amortize by the end of the funding period

Funding rate

Cost, expressed as a level percentage of payroll, of paying the normal cost of services and eliminating the actuarial unfunded obligation over a specified period of time; the sum of the normal cost rate plus the amortization rate

Gain and Loss Reserve

Separate reserve accounts established for the Defined Benefit Supplement Program and the Cash Balance Benefit Program available to be drawn upon to the extent necessary to credit interest to employee accounts and employer accounts if investment earnings are not adequate to meet the minimum interest rate

Government Pension Offset (GPO)

Provision under the Social Security Act, which reduces the Social Security benefits paid to a spouse if the spouse receives a pension based on employment not covered by Social Security

Inactive member

Member who is not a retired member or a disabled member and has not earned creditable compensation during the school year ending June 30, including members who terminate CalSTRS-covered employment and delay retirement

Indexed final compensation

Final compensation upon which a disability allowance or disability retirement allowance was based, adjusted annually by the rate of change in the average compensation earnable, as determined by the Board; used in determining whether a disability allowance should be terminated or has been overpaid because the member has received earnings from other sources in excess of specified limits

Joint and survivor annuity

Plan feature where a retired participant in the Cash Balance Benefit Program or retired member receiving a benefit under the Defined Benefit Supplement Program may choose to redistribute his or her retirement benefit over both the life of the participant or member and that of a beneficiary chosen by the participant or member (similar to an option available to a member of the Defined Benefit Program)

Longevity Bonus

Monthly benefit of $200, $300, or $400 that is added to the Member-Only Benefit of those members whose accumulated service credit is at least 30 years by the end of the window period ending December 31, 2010, regardless of when the member retires on or after January 1, 2001

Medicare Premium Payment Program (MPP Program)

Program under which CalSTRS pays the Medicare Part A premiums and applicable late enrollment surcharges for retired Defined Benefit Program members who do not qualify for Medicare Part A coverage on a premium-free basis; the Teachers' Retirement Board has extended coverage to eligible members retiring prior to July 1, 2012; however, CalSTRS cannot pay any late enrollment surcharges for DB Program members who enrolled in Medicare after July 1, 2001

Member

Person who has performed creditable service under the Defined Benefit Program, has earned compensation for that service, and has not received a refund for that service

Member-Only Benefit

Provides an unmodified monthly retirement benefit over the lifetime of the member; does not provide a monthly benefit to the member's survivor(s); any contributions and interest credited to the member's account at the time of death, minus the total amount already paid to the member, will be returned to the member's death benefit recipient(s).

Minimum interest rate

Annual rate determined by the Board and credited to employee and employer accounts in the Cash Balance Benefit Program and the Defined Benefit Supplement Program; the rate is based on the average rate paid on 30-year Treasury bonds for the twelve-month period ending April 30, rounded up to the nearest percentage point; for 2010–11, the rate is 4.50 percent

Mortality rate

Average expected death rate for a group of individuals at a given age

Multiple retirements

Retirement by a member subsequent to the reinstatement of the member who previously received a service retirement allowance or a disability retirement allowance

Nonqualified service

Any time in which a member did not perform creditable service subject to coverage by the plan; a member of the Defined Benefit Program may purchase up to five years of credit that is nonqualified; also commonly known as air-time

Normal cost rate

The cost assigned to an average member for a given year such that it would meet the continuing costs of a particular benefit if contributed each year starting with the date of membership

Normal retirement age

Age at which a member is eligible for a service retirement allowance without reduction because of age and without special qualifications; the normal retirement age for members of the Defined Benefit Program and participants in the Cash Balance Benefit Program is age 60

Option

A plan feature that allows a member to distribute retirement benefits over the member's lifetime and the lifetime of other people; the Defined Benefit Program offers four options:

- **100% Beneficiary Option:** Upon the member's death, the reduced benefit will be paid to the option beneficiary for life. If the option beneficiary dies before the member, the member's benefit will be raised to the Member-Only Benefit level.
- **75% Beneficiary Option:** Upon the member's death, three-quarters of the reduced benefit will be paid to the option beneficiary for life. If the option beneficiary predeceases the member, the member's benefit will be raised to the Member-Only Benefit level.
- **50% Beneficiary Option:** Upon the member's death, one-half the reduced benefit will be paid to the option beneficiary for life. If the option beneficiary predeceases the member, the member's benefit will be raised to the Member-Only Benefit level.

- **Compound Option:** Upon the member's death, benefits will be paid to multiple option beneficiaries for life. The benefit paid to an individual beneficiary depends on which option was selected for that beneficiary, and what percentage of the total benefit was subject to the option and beneficiary selected.

Option beneficiary

Person designated to receive all or a portion of a member's retirement allowance after death of the member under the Defined Benefit Program; the person named by a member will receive a lifetime monthly benefit after the member's death; the member's benefit will be actuarially reduced based upon the option choice and the beneficiary's age (See Option Factor); it is only possible to have more than one Option Beneficiary under Option 8 or the Compound Option

Option factor

An actuarially determined factor used to calculate the amount of monthly benefit when an option is selected to provide a lifetime monthly benefit to a designated option beneficiary after the member's death

Overtime

Total service performed by a member in excess of the hours of work considered normal for employees employed on a full-time basis

Participant

Person who has performed creditable service subject to coverage by the Cash Balance Benefit Program, who has contributions credited under the program or is receiving an annuity under the program

Permissive service credit

Specified previous service or time, such as maternity/paternity leave, sabbaticals, or teaching in public schools in another state or territory, or up to 5 years of service credit not associated with any prior service, for which a member may purchase service credit

Pre-retirement option election

Election of an option by a member who is eligible to retire but not yet ready to do so, wherein the member selects an option and designates a beneficiary to receive a lifetime monthly benefit upon the death of the member, if the death precedes the member's retirement; If a preretirement election of an option is changed or cancelled, or the option beneficiary dies before the member retires, the member's retirement benefit may be permanently reduced.

Present value

The amount of money needed on the effective date of retirement to reimburse the system for the actuarially determined cost of the portion of a member's retirement allowance attributable to unused excess sick leave days; the present value on the effective date of retirement shall equal the number of unused excess sick leave days divided by the number of base days, multiplied by the prior year's compensation earnable multiplied by the present value factor

Projected final compensation

Final compensation used under Coverage A when the disability allowance or family allowance was computed, increased by 2 percent compounded annually to the earlier of normal retirement age or the date the disability allowance is terminated; used in determining a service retirement allowance for a member who is receiving a disability allowance and has reached normal retirement age or later if there is a dependent child and to compute a family allowance for an eligible spouse after the death of a member

Projected service

Credited service plus the service credit that would have been earned if a disabled member had continued to earn credited service to the earlier of normal retirement age or the date the disability allowance is terminated; used under Coverage A in determining a service retirement allowance for a member who is receiving a disability allowance and has reached normal retirement age or later when there is no dependent child and to compute a family allowance for an eligible spouse after the death of a member

Purchasing power benefit

CalSTRS pays quarterly, supplemental benefits from the Supplemental Benefit Maintenance Account (SBMA) to retirees and beneficiaries when inflation erodes their monthly benefits below 85 percent of the original consumer purchasing power; these payments are guaranteed as long as there are funds in the SBMA to pay the benefits at that 85 percent level; the state contributes about 2.5 percent of the CalSTRS payroll into the SBMA

Registered domestic partner

A member of a registered domestic partnership

Registered Domestic Partnership

Established by Chapter 421, Statutes of 2003, effective January 1, 2005, two people registered with the California Secretary of State as domestic partners; registered domestic partners must be members of the same sex or one or both of the persons must be over the age of 62

Regular interest

Interest equal to the actuarially assumed rate of return on investments on assets of the Defined Benefit Program; regular interest rates are used in financing service credit purchases and in the calculation of redeposits of previously withdrawn contributions and interest; all interest collected are appended to the member’s DB account

Reinstatement

Termination of a service retirement benefit or disability retirement benefit and establishing status either as an inactive member or an active member

Retired member

A member who has terminated employment and has retired for service or has retired for disability and to whom a retirement benefit is payable

Retired participant

Participant of the Cash Balance Benefit Program who has terminated employment and received either a lump-sum payment or a retirement benefit in the form of a monthly annuity

Retirement allowance

Monthly benefit payable to a retired member or an option beneficiary under the Defined Benefit Program upon retirement for reasons other than disability

Single life annuity

Election by a participant under the Cash Balance Benefit Program or a member of the Defined Benefit Supplement Program in which an annuity benefit ceases being paid upon the death of the participant or member

Teachers’ Retirement Plan

Plan of retirement benefits and other ancillary benefits provided through the Defined Benefit Program, the Cash Balance Benefit Program, and the Defined Benefit Supplement Program

Survivor benefit allowance

A monthly allowance payable upon the death of an active member who was subject to Coverage B

System

California State Teachers’ Retirement System

Teachers’ Health Benefit Fund

A fund established within the State Treasury to which employer contributions are credited for the purposes of paying the Medicare Part A premiums for members who participate in the Medicare Premium Payment Program

Teachers’ Retirement Board (TRB or Board)

The 12-member body that administers the Teachers’ Retirement Plan and the Medicare Premium Payment Program

Teachers’ Retirement Fund (TRF)

Trust fund in the State Treasury in which all contributions and investment earnings associated with the Defined Benefit Program, the Defined Benefit Supplement Program, and the Cash Balance Benefit Program are held and from which all benefits are paid

Teachers’ Retirement Law (TRL)

Part 13 of the Education Code, governing administration of the Defined Benefit Program and the Defined Benefit Supplement Program, and Part 14 of the Education Code, governing administration of the Cash Balance Benefit Program

Termination benefit

Benefit paid from the employee account and the employer account to a Cash Balance Benefit Program participant, or to a Defined Benefit

Program member under the Defined Benefit Supplement Program, on a lump-sum basis upon termination of service for any reason other than death, disability, or retirement of the participant or member

Traditional unit credit cost method

Method under which the actuarial accrued liability is equal to the present value of benefits for service accrued to the valuation date; normal cost is equal to the actuarial present value of benefits allocated to a valuation year; this is the cost method used for the Cash Balance Benefit Program

Unfunded actuarial obligation

Additional assets a retirement plan would need to have on the valuation date in order to meet the expected liabilities of the plan for service performed in the past; this figure does not include any liabilities incurred for future service or any assets received in the future; liabilities are based upon anticipated future salary increases used to determine future benefits; the value is dependent on the actuarial assumptions, the population, the actuarial cost method, and the asset valuation method; sometimes called the unfunded actuarial accrued liability

Unmodified benefit

Maximum monthly benefit paid to a retired member, which terminates upon the death of that member under the Defined Benefit Program; an unmodified benefit is also commonly called a "Member-Only Benefit"

Valuation assumptions

Factors used in calculating the expected future liabilities and assets of a retirement plan; they are long-range averages and are not necessarily indicative of current conditions; the most commonly quoted assumptions are return on investments, wage inflation, and rate of inflation; other assumptions, such as mortality rate and turnover, concern the number of people contributing to the retirement plan or drawing a benefit from the plan

Windfall Elimination Provision (WEP)

A provision under the Social Security Act, under which an alternative formula is used to determine an individual's Social Security benefit, resulting in a lower Social Security benefit for retirees who worked in employment not covered by Social Security and who held jobs where they paid Social Security taxes long enough to become eligible for a Social Security benefit

Population Information

Population Information

For Fiscal Year 2009–2010 (As of June 30, 2010)

Defined Benefit Program:

Defined Benefit Supplement Program:

Cash Balance Benefit Program:

Other CalSTRS Programs:

Table 1

Defined Benefit Program

Active Member Characteristics

Fiscal Year Ending June 30	Count	Average Earnable Salary[1]	Average Age	Average Service Credit	Average Service Projected to Age 60
1993	313,617	$39,945	44.7	12.0	27.3
1994	319,176	40,180	44.7	12.0	27.2
1995	327,513	40,716	44.8	11.9	27.1
1996	336,725	41,577	44.9	11.8	27.0
1997	364,000	42,557	44.5	11.3	26.8
1998	385,530	43,766	44.3	11.0	26.7
1999	402,220	45,421	44.2	10.8	26.6
2000	420,530	46,677	44.2	10.7	26.5
2001	428,741	51,478	44.3	10.7	26.4
2002	442,208	53,113	44.3	10.5	26.2
2003	448,478	54,065	44.3	10.5	26.2
2004	444,680	54,978	44.5	10.7	26.2
2005	450,282	55,900	44.5	10.7	26.2
2006	453,365	57,698	44.6	10.8	26.1
2007	455,693	61,097	44.7	10.8	26.1
2008	461,378	63,281	44.7	10.8	26.2
2009	459,009	64,044	44.8	11.0	26.2
2010	441,544	64,156	45.1	11.3	26.3

[1] Average salary that would be paid if members worked full-time basis

Table 2

Defined Benefit Program

Active Member Salary Characteristics

Fiscal Year Ending June 30	Count	EARNED SALARY Total Salary	Average Salary	EARNABLE SALARY[1] Average Salary	% Increase over Prior Year	Average % Increase to 2010
1997	364,000	$14,371,068,403	$39,481	$42,557	2.4	–
1998	385,530	15,725,658,541	40,790	43,766	2.8	3.2
1999	402,220	17,007,886,951	42,285	45,421	3.8	3.2
2000	420,530	18,224,271,726	43,336	46,677	2.8	3.2
2001	428,741	20,494,151,991	47,801	51,478	10.3	2.5
2002	442,208	21,731,775,317	49,144	53,113	3.2	2.4
2003	448,478	22,654,369,277[2]	50,514[2]	54,065[2]	1.8	2.5
2004	444,680	22,589,060,244[2]	50,798[2]	54,978[2]	1.7	2.6
2005	450,282	23,256,622,046	51,649	55,900	1.7	2.8
2006	453,365	24,239,606,097	53,466	57,698	3.2	2.7
2007	455,693	25,784,070,670	56,582	61,097	5.9	1.6
2008	461,378	27,118,230,762	58,777	63,281	3.6	0.7
2009	459,009	27,327,386,616	59,536	64,044	1.2	0.2
2010	441,544	26,274,889,981	59,507	64,156	0.2	–

	Male	Female	Total
Count	126,880	314,664	441,544
Percent of Total	28.7%	71.3%	100.0%
Average Age	46.1	44.6	45.1
Average Service	11.7	11.2	11.3
Calculated Average Entry Age	34.4	33.5	31.8
Median Entry Age[3]	29.7	28.0	28.6
Average Earnable Salary	65,886	63,459	64,156
Average Accumulated Contributions	60,404	55,238	56,722

[1] Salary that would be paid if members worked on a full-time basis

[2] Total Salary, Average Earned Salary and Average Earnable Salary figures revised in 2005. Previous reported figures included Defined Benefit Supplement Program Extra Service Credit and Limited Term Enhancement earnings.

[3] Entry age determined using initial membership date

Table 3

Defined Benefit Program

Distribution of Active Members by Age and Service

Age and service to nearest full year as of June 30, 2010

MALE

Age	Years of Service: Less than 1	1–5	6–10	11–15	16–20	21–25
Less than 25	301	405	1	0	0	0
25 to 30	1,159	6,272	321	0	0	0
30 to 35	723	7,373	5,654	334	1	0
35 to 40	538	4,742	6,890	6,134	143	0
40 to 45	479	3,507	4,488	7,030	3,098	86
45 to 50	464	2,673	3,087	4,038	3,627	2,207
50 to 55	354	2,533	2,519	3,092	2,648	3,196
55 to 60	351	2,280	2,352	2,564	2,148	2,657
60 to 65	257	1,819	1,808	1,891	1,521	1,488
65 to 70	93	840	622	555	402	379
70 and over	51	477	276	173	121	114
Age Unknown	1	0	0	0	0	0
Total	4,771	32,921	28,018	25,811	13,709	10,127

Age	Years of Service: 26–30	31–35	36–40	41–45	Over 45	Total
Less than 25	0	0	0	0	0	707
25 to 30	0	0	0	0	0	7,752
30 to 35	0	0	0	0	0	14,085
35 to 40	0	0	0	0	0	18,447
40 to 45	1	0	0	0	0	18,689
45 to 50	71	0	0	0	0	16,167
50 to 55	1,774	119	0	0	0	16,235
55 to 60	2,320	2,593	182	0	0	17,447
60 to 65	1,168	1,361	1,021	27		12,361
65 to 70	224	188	180	73	3	3,559
70 and over	51	48	54	41	24	1,430
Age Unknown	0	0	0	0	0	1
Total	5,609	4,309	1,437	141	27	126,880

continued

Table 3

Defined Benefit Program

Distribution of Active Members by Age and Service

Age and service to nearest full year as of June 30, 2010

FEMALE

Age	Years of Service: Less than 1	1–5	6–10	11–15	16–20	21–25
Less than 25	1,321	1,669	6	0	0	0
25 to 30	3,091	23,436	1,678	0	0	0
30 to 35	1,449	19,366	20,337	1,355	0	0
35 to 40	1,101	10,495	17,010	15,396	425	1
40 to 45	1,100	8,616	10,381	14,099	6,889	360
45 to 50	908	7,284	7,862	8,904	7,293	5,740
50 to 55	783	6,292	7,164	8,444	6,359	6,711
55 to 60	531	4,657	5,914	7,959	6,688	6,643
60 to 65	297	2,647	3,278	4,604	4,163	4,455
65 to 70	114	951	887	1,136	895	929
70 and over	46	410	308	251	185	197
Age Unknown	0	1	3	0	0	0
Total	10,741	85,824	74,828	62,148	32,897	25,036

Age	Years of Service: 26–30	31–35	36–40	41–45	Over 45	Total
Less than 25	0	0	0	0	0	2,996
25 to 30	0	0	0	0	0	28,205
30 to 35	0	0	0	0	0	42,507
35 to 40	1	0	0	0	0	44,429
40 to 45	0	0	0	0	0	41,445
45 to 50	230	0	0	0	0	38,221
50 to 55	4,223	323	0	0	0	40,299
55 to 60	5,268	4,767	335	0	0	42,762
60 to 65	2,776	2,288	1,379	55	0	25,942
65 to 70	544	316	176	132	7	6,087
70 and over	128	108	57	44	33	1,767
Age Unknown	0	0	0	0	0	4
Total	13,170	7,802	1,947	231	40	314,664

continued

Table 3

Defined Benefit Program

Distribution of Active Members by Age and Service

Age and service to nearest full year as of June 30, 2010

TOTAL

Age	Years of Service: Less than 1	1–5	6–10	11–15	16–20	21–25
Less than 25	1,622	2,074	7	0	0	0
25 to 30	4,250	29,708	1,999	0	0	0
30 to 35	2,172	26,739	25,991	1,689	1	0
35 to 40	1,639	15,237	23,900	21,530	568	1
40 to 45	1,579	12,123	14,869	21,129	9,987	446
45 to 50	1,372	9,957	10,949	12,942	10,920	7,947
50 to 55	1,137	8,825	9,683	11,536	9,007	9,907
55 to 60	882	6,937	8,266	10,523	8,836	9,300
60 to 65	554	4,466	5,086	6,495	5,684	5,943
65 to 70	207	1,791	1,509	1,691	1,297	1,308
70 and over	97	887	584	424	306	311
Age Unknown	1	1	3	0	0	0
Total	15,512	118,745	102,846	87,959	46,606	35,163

Age	Years of Service: 26–30	31–35	36–40	41–45	Over 45	Total
Less than 25	0	0	0	0	0	3,703
25 to 30	0	0	0	0	0	35,957
30 to 35	0	0	0	0	0	56,592
35 to 40	1	0	0	0	0	62,876
40 to 45	1	0	0	0	0	60,134
45 to 50	301	0	0	0	0	54,388
50 to 55	5,997	442	0	0	0	56,534
55 to 60	7,588	7,360	517	0	0	60,209
60 to 65	3,944	3,649	2,400	82	0	38,303
65 to 70	768	504	356	205	10	9,646
70 and over	179	156	111	85	57	3,197
Age Unknown	0	0	0	0	0	5
Total	18,779	12,111	3,384	372	67	441,544

Table 4

Defined Benefit Program

Active Members Classified by Age
As of June 30, 2010

MALE

Age	Count	Average Service Credit	Average Earnable Salary[1]	Age	Count	Average Service Credit	Average Earnable Salary[1]
20	7	1.939	$33,277	47	3,294	12.447	70,030
21	2	0.699	22,928	48	3,220	12.921	70,608
22	25	0.683	28,855	49	3,177	13.467	71,070
23	189	0.630	31,610	50	3,185	13.736	70,472
24	484	0.876	32,119	51	3,157	14.406	71,402
25	809	1.148	33,525	52	3,143	14.705	71,131
26	1,192	1.641	36,289	53	3,342	15.360	72,529
27	1,545	2.063	38,768	54	3,408	16.015	73,014
28	1,961	2.582	41,823	55	3,358	16.339	72,378
29	2,245	3.064	44,134	56	3,379	17.348	73,703
30	2,447	3.606	47,190	57	3,555	18.172	75,248
31	2,719	4.277	49,999	58	3,576	18.862	75,436
32	2,768	4.995	52,787	59	3,579	19.453	76,013
33	3,058	5.444	54,995	60	3,388	19.935	77,939
34	3,093	6.170	56,842	61	2,977	19.114	76,683
35	3,404	6.894	59,763	62	2,303	16.940	73,859
36	3,752	7.513	61,470	63	2,070	16.200	71,922
37	3,535	8.128	62,861	64	1,623	15.704	71,419
38	3,681	8.602	64,563	65	1,057	15.507	69,234
39	4,075	9.224	66,384	66	825	14.754	68,197
40	4,263	9.613	66,697	67	761	14.888	68,552
41	3,987	10.066	67,293	68	536	14.743	64,787
42	3,678	10.433	68,080	69	380	13.453	62,265
43	3,493	10.727	68,458	70	325	13.077	61,995
44	3,268	11.352	69,562	71	252	12.682	57,142
45	3,259	11.563	69,624	71+	853	13.073	55,768
46	3,217	12.044	69,645	Age Unknown	1	0.129	67,706
				Total	126,880	11.701[2]	$65,886[2]

[1]Average salary that would be paid if members worked on a full-time basis

[2]Overall averages

Population Information

continued

Table 4

Defined Benefit Program

Active Members Classified by Age

As of June 30, 2010

FEMALE

Age	Count	Average Service Credit	Average Earnable Salary[1]	Age	Count	Average Service Credit	Average Earnable Salary[1]
20	30	3.184	$47,089	47	7,683	12.278	66,311
21	18	0.704	26,801	48	7,807	12.642	66,612
22	96	0.350	25,589	49	7,850	13.041	67,050
23	823	0.519	28,938	50	7,830	13.390	67,319
24	2,029	0.881	32,004	51	7,887	13.723	67,848
25	3,285	1.324	35,180	52	7,923	14.260	68,917
26	4,564	1.880	38,853	53	8,184	14.975	69,619
27	5,893	2.436	41,717	54	8,475	15.681	70,692
28	6,902	3.025	44,878	55	8,607	16.078	70,931
29	7,561	3.588	47,312	56	8,677	17.158	73,043
30	8,087	4.181	50,248	57	8,593	17.925	73,905
31	8,433	4.820	52,433	58	8,686	18.315	74,118
32	8,416	5.479	54,515	59	8,199	18.736	74,725
33	8,737	6.146	56,890	60	7,246	19.366	75,437
34	8,834	6.780	58,660	61	6,514	19.172	75,245
35	8,961	7.412	60,096	62	5,094	18.011	73,664
36	9,087	7.976	61,795	63	4,110	17.180	72,589
37	8,797	8.347	62,399	64	2,978	16.950	71,953
38	8,698	8.830	63,517	65	1,963	16.339	69,427
39	8,886	9.208	64,007	66	1,463	16.721	69,800
40	9,472	9.549	64,499	67	1,170	16.801	69,170
41	8,881	9.841	64,481	68	873	16.697	66,265
42	8,190	10.101	64,667	69	618	15.323	62,826
43	7,682	10.540	65,019	70	423	15.436	63,325
44	7,220	10.989	65,132	71	304	16.368	59,241
45	7,304	11.389	65,940	71+	1,040	15.464	57,857
46	7,577	11.652	65,577	Age Unknown	4	6.443	57,107
				Total	314,664	11.161[2]	$63,459[2]

[1] Average salary that would be paid if members worked on a full-time basis

[2] Overall averages

Population Information

continued

Table 4

Defined Benefit Program

Active Members Classified by Age
As of June 30, 2010

TOTAL

Age	Count	Average Service Credit	Average Earnable Salary[1]	Age	Count	Average Service Credit	Average Earnable Salary[1]
20	37	2.948	$44,476	47	10,977	12.329	67,427
21	20	0.703	26,414	48	11,027	12.724	67,779
22	121	0.419	26,264	49	11,027	13.164	68,208
23	1,012	0.539	29,437	50	11,015	13.490	68,231
24	2,513	0.880	32,026	51	11,044	13.918	68,864
25	4,094	1.289	34,853	52	11,066	14.387	69,546
26	5,756	1.830	38,322	53	11,526	15.087	70,463
27	7,438	2.358	41,105	54	11,883	15.777	71,358
28	8,863	2.927	44,202	55	11,965	16.151	71,337
29	9,806	3.468	46,584	56	12,056	17.211	73,228
30	10,534	4.048	49,537	57	12,148	17.997	74,298
31	11,152	4.688	51,839	58	12,262	18.474	74,503
32	11,184	5.359	54,087	59	11,778	18.954	75,117
33	11,795	5.964	56,399	60	10,634	19.547	76,234
34	11,927	6.622	58,189	61	9,491	19.154	75,696
35	12,365	7.269	60,004	62	7,397	17.677	73,725
36	12,839	7.841	61,700	63	6,180	16.852	72,366
37	12,332	8.284	62,531	64	4,601	16.510	71,765
38	12,379	8.762	63,828	65	3,020	16.048	69,359
39	12,961	9.213	64,754	66	2,288	16.012	69,222
40	13,735	9.569	65,181	67	1,931	16.047	68,926
41	12,868	9.911	65,352	68	1,409	15.954	65,703
42	11,868	10.204	65,724	69	998	14.611	62,612
43	11,175	10.599	66,094	70	748	14.411	62,747
44	10,488	11.102	66,513	71	556	14.697	58,290
45	10,563	11.442	67,077	71+	1,893	14.387	56,916
46	10,794	11.768	66,789	Age Unknown	5	5.180	53,227
				Total	441,544	11.316[2]	$64,156[2]

[1] Average salary that would be paid if members worked on a full-time basis
[2] Overall averages

Population Information

Table 5

Defined Benefit Program

Number of Inactive Accounts

Fiscal Year Ending June 30	Total Count	Non-Member Spouse Count	Male % of Total	Female % of Total
1997	59,385	0	27.2	72.8
1998	61,848	0	27.4	72.6
1999	69,112	0	27.7	72.3
2000	75,580	0	27.8	72.2
2001	87,146	582	28.1	71.9
2002	96,159	653	28.0	72.0
2003	104,617	697	28.3	71.7
2004	116,128	707	28.7	71.3
2005	124,394	717	28.8	71.2
2006	133,601	752	28.8	71.2
2007	141,450	706	28.9	71.1
2008	147,997	721	29.0	71.0
2009	156,207	689	29.0	71.0
2010	166,976	687	29.2	70.8

Table 6

Defined Benefit Program

Inactive Account Characteristics

Fiscal Year Ending June 30	Total Count	Average DB Contribuitons on Deposit	Average Age	Average Years Service Credit	Average Years Inactive	Vested Count
1997	59,385	11,431	47.3	3.5	8.2	13,925
1998	61,848	11,731	47.5	3.4	8.3	14,038
1999	69,112	12,105	47.1	3.3	8.0	15,421
2000	75,580	12,325	46.8	3.2	7.8	16,211
2001	87,146	12,889	50.7	3.2	8.2	18,469
2002	96,159	12,997	46.0	3.1	7.3	19,703
2003	104,617	12,691	46.0	3.0	7.4	20,627
2004	116,128	12,418	45.8	2.9	7.3	22,511
2005	124,394	12,177	45.9	2.9	7.4	24,113
2006	133,601	12,282	45.9	2.9	7.5	26,733
2007	141,450	12,440	46.0	3.0	7.7	28,922
2008	147,997	12,698	46.3	2.9	8.0	30,370
2009	156,207	12,717	46.5	2.9	8.2	31,661
2010	166,976	12,334	46.7	2.8	8.3	33,036

Table 7

Defined Benefit Program

Number of Members Retired for Service[1]

Fiscal Year Ending June 30	Total	Male % of Total	Female % of Total
1997	135,809	38.3	61.7
1998	139,193	38.3	61.7
1999	142,309	38.3	61.7
2000	145,415	38.1	61.9
2001	149,727	38.0	62.0
2002	154,884	37.8	62.2
2003	159,172	37.6	62.4
2004	169,022	37.2	62.8
2005	176,008	36.9	63.1
2006	181,833	36.5	63.5
2007	188,659	36.1	63.9
2008	195,960	35.7	64.3
2009	203,649	35.3	64.7
2010	213,952	34.9	65.1

[1]Does not include formerly disabled members

Population Information

Table 8

Defined Benefit Program

All Members Retired for Service Characteristics[1]

Fiscal Year Ending June 30	Average Age at Retirement	Average Years of Service Credit	Average Final Compensation	Average Current Allowance Payable
1997	60.8	24.8	$2,837	$1,566
1998	60.8	24.7	2,945	1,638
1999	60.7	24.8	3,057	1,729
2000	60.7	25.0	3,175	1,824
2001	60.7	25.4	3,356	2,033
2002	60.7	25.7	3,539	2,183
2003	60.7	25.9	3,735	2,339
2004	60.7	26.0	3,931	2,488
2005	60.8	26.1	4,103	2,617
2006	60.8	26.2	4,264	2,741
2007	60.8	26.3	4,437	2,878
2008	60.8	26.3	4,620	3,021
2009	60.8	26.4	4,798	3,164
2010	60.9	26.3	4,983	3,302

[1]Does not include formerly disabled members

Table 9

Defined Benefit Program

Members Retired for Service During the 2009/10 Fiscal Year

Classified by Unmodified Allowance[1]

MALE

Monthly Unmodified Allowance[2]	Count	Average Age at Retirement	Average Service Credit	Average Final Compensation	Average Allowance Payable
Less than $500	227	62.5	5.745	3,592	326
500 – 1000	313	62.7	8.708	4,422	698
1000 – 1500	259	62.3	12.341	5,172	1,142
1500 – 2000	213	62.2	15.462	5,859	1,633
2000 – 2500	261	62.5	18.024	6,181	2,072
2500 – 3000	252	61.8	21.585	6,368	2,590
3000 – 3500	262	62.7	22.761	6,699	3,038
3500 – 4000	232	62.0	25.808	6,846	3,522
4000 – 4500	234	61.8	27.535	7,154	3,943
4500 – 5000	244	62.0	29.930	7,067	4,459
5000 – 5500	299	61.3	32.174	7,068	4,921
5500 – 6000	312	61.6	33.349	7,312	5,343
6000 & Greater	1,643	62.6	36.685	8,839	7,199
Total	4,751	62.3[3]	26.659[3]	7,086[3]	4,361[3]

FEMALE

Monthly Unmodified Allowance[2]	Count	Average Age at Retirement	Average Service Credit	Average Final Compensation	Average Allowance Payable
Less than $500	404	62.0	5.936	2,980	308
500 – 1000	692	62.1	9.414	4,148	725
1000 – 1500	611	61.3	12.771	5,165	1,213
1500 – 2000	694	61.5	15.938	5,709	1,709
2000 – 2500	753	61.1	18.874	6,119	2,186
2500 – 3000	784	62.0	20.871	6,380	2,665
3000 – 3500	842	62.4	23.056	6,610	3,148
3500 – 4000	789	62.5	25.161	6,833	3,618
4000 – 4500	731	62.1	27.773	6,930	4,141
4500 – 5000	721	62.0	29.815	7,045	4,603
5000 – 5500	776	61.9	31.584	7,163	5,090
5500 – 6000	711	62.2	33.001	7,310	5,575
6000 & Greater	2,234	62.6	36.233	8,515	7,211
Total	10,742	62.1[3]	24.980[3]	6,673[3]	3,925[3]

continued

Table 9

Defined Benefit Program

Members Retired for Service During the 2009/10 Fiscal Year

Classified by Unmodified Allowance[1]

TOTAL

Monthly Unmodified Allowance[2]	Count	Average Age at Retirement	Average Service Credit	Average Final Compensation	Average Allowance Payable
Less than $500	631	62.2	5.867	3,200	314
500 – 1000	1,005	62.3	9.194	4,233	716
1000 – 1500	870	61.6	12.643	5,167	1,192
1500 – 2000	907	61.7	15.826	5,744	1,691
2000 – 2500	1,014	61.5	18.655	6,135	2,157
2500 – 3000	1,036	62.0	21.045	6,377	2,647
3000 – 3500	1,104	62.5	22.986	6,631	3,122
3500 – 4000	1,021	62.4	25.308	6,836	3,596
4000 – 4500	965	62.1	27.715	6,984	4,093
4500 – 5000	965	62.0	29.844	7,051	4,567
5000 – 5500	1,075	61.7	31.748	7,136	5,043
5500 – 6000	1,023	62.0	33.107	7,310	5,504
6000 & Greater	3,877	62.6	36.424	8,653	7,206
Total	15,493	62.2[3]	25.495[3]	6,800[3]	4,059[3]

[1]Does not include formerly disabled members

[2]As of the June 30, 2004, population report the longevity bonus is included in the unmodified allowance

[3]Overall averages

Table 10

Defined Benefit Program

Members Retired for Service During the 2009/10 Fiscal Year[1]

Classified by Age and Joint & Survivor Option Elected[2]

MALE

			Options							
Age	Total	Unmodi-fied	2	3	4	5	6	7	8	9
Under 55	12	4	0	0	0	0	6	2	0	0
55	159	94	0	0	0	0	45	10	2	8
56	108	50	0	0	0	0	40	6		12
57	164	72	0	0	0	0	43	15	8	26
58	222	82	5	0	0	0	74	25	2	34
59	363	133	17	1	0	0	118	44	4	46
60	497	146	27	2	0	1	163	85	10	63
61	762	211	46	4	1	0	288	111	11	90
62	668	200	45	1	5	0	217	104	17	79
63	520	184	32	3	1	0	161	64	14	61
64	279	103	17	4	0	0	99	29	5	22
65	242	88	11	1	0	0	89	27	4	22
66	193	69	18	0	2	0	61	18	5	20
67	139	57	10	0	0	0	41	18	2	11
68	90	34	4	0	1	0	33	11	1	6
69	67	28	4	0	0	1	18	10	3	3
70	66	27	4	0	0	0	25	6	0	4
71	48	23	5	0	1	0	11	4	0	4
72	40	18	1	0	0	0	12	7	0	2
73	35	12	3	0	0	0	15	2	0	3
74	17	7	1	0	0	0	5	3	1	
75 and Over	60	32	2	1	0	0	9	8	2	6
Age Unknown	0	0	0	0	0	0	0	0	0	0
Total	4,751	1,674	252	17	11	2	1,573	609	91	522
% of Total Males	100%	35.23%	5.30%	0.36%	0.23%	0.04%	33.11%	12.82%	1.92%	10.99%

1 Does not include formerly disabled members

2 Option Elected:

Option 2 – Beneficiary receives 100% of member's modified allowance

Option 3 – Beneficiary receives 50% of member's modified allowance

Option 4 – Beneficiary receives 2/3 of member's modified allowance

Option 5 – Survivor receives 50% of member's modified allowance, upon death of either member or beneficiary

Option 6 – Beneficiary receives 100% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount

Option 7 – Beneficiary receives 50% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount

Option 8 – Compound option that allows the member to provide for more than one beneficiary

Option 9 – Beneficiary receives 75% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount

continued

Table 10

Defined Benefit Program

Members Retired for Service During the 2009/10 Fiscal Year[1]

Classified by Age and Joint & Survivor Option Elected[2]

FEMALE

			Options							
Age	Total	Unmodi-fied	2	3	4	5	6	7	8	9
Under 55	27	12	0	0	0	0	5	9	0	1
55	400	279	0	0	0	0	54	43	2	22
56	366	236	0	0	0	0	64	40	2	24
57	430	263	0	0	0	0	70	56	4	37
58	581	336	2	0	0	0	85	104	4	50
59	743	415	6	1	0	0	148	115	5	53
60	1,191	660	11	3	0	1	211	204	11	90
61	1,400	776	10	6	0	0	219	258	12	119
62	1,313	783	9	1	0	0	205	213	17	85
63	1,356	841	10	5	0	1	177	214	16	92
64	707	470	5	2	1	0	89	84	8	48
65	654	447	3	3	0	0	82	88	5	26
66	452	309	6	0	0	0	44	62	8	23
67	327	235	0	1	0	0	31	39	6	15
68	221	155	0	2	0	0	23	19	11	11
69	150	117	1	0	1	0	11	10	1	9
70	130	102	1	0	0	0	10	13	2	2
71	87	71	0	1	0	0	9	3	0	3
72	62	52	0	1	0	0	5	3	0	1
73	35	25	0	0	0	0	2	5	3	0
74	30	25	0	0	0	0	2	3	0	0
75 and Over	80	70	0	0	0	0	4	4	1	1
Age Unknown	0	0	0	0	0	0	0	0	0	0
Total	10,742	6,679	64	26	2	2	1,550	1,589	118	712
% of Total Females	100%	62.18%	0.60%	0.24%	0.02%	0.02%	14.43%	14.79%	1.10%	6.63%

[1] Does not include formerly disabled members

[2] Option Elected:

Option 2 – Beneficiary receives 100% of member's modified allowance

Option 3 – Beneficiary receives 50% of member's modified allowance

Option 4 – Beneficiary receives 2/3 of member's modified allowance

Option 5 – Survivor receives 50% of member's modified allowance, upon death of either member or beneficiary

Option 6 – Beneficiary receives 100% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount

Option 7 – Beneficiary receives 50% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount

Option 8 – Compound option that allows the member to provide for more than one beneficiary

Option 9 – Beneficiary receives 75% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount

continued

Table 10

Defined Benefit Program

Members Retired for Service During the 2009/10 Fiscal Year[1]

Classified by Age and Joint & Survivor Option Elected[2]

TOTAL

			Options							
Age	Total	Unmodi-fied	2	3	4	5	6	7	8	9
Under 55	39	16	0	0	0	0	11	11	0	1
55	559	373	0	0	0	0	99	53	4	30
56	474	286	0	0	0	0	104	46	2	36
57	594	335	0	0	0	0	113	71	12	63
58	803	418	7	0	0	0	159	129	6	84
59	1,106	548	23	2	0	0	266	159	9	99
60	1,688	806	38	5	0	2	374	289	21	153
61	2,162	987	56	10	1	0	507	369	23	209
62	1,981	983	54	2	5	0	422	317	34	164
63	1,876	1,025	42	8	1	1	338	278	30	153
64	986	573	22	6	1	0	188	113	13	70
65	896	535	14	4	0	0	171	115	9	48
66	645	378	24	0	2	0	105	80	13	43
67	466	292	10	1	0	0	72	57	8	26
68	311	189	4	2	1	0	56	30	12	17
69	217	145	5	0	1	1	29	20	4	12
70	196	129	5	0	0	0	35	19	2	6
71	135	94	5	1	1	0	20	7	0	7
72	102	70	1	1	0	0	17	10	0	3
73	70	37	3	0	0	0	17	7	3	3
74	47	32	1	0	0	0	7	6	1	0
75 and Over	140	102	2	1	0	0	13	12	3	7
Age Unknown	0	0	0	0	0	0	0	0	0	0
Total	15,493	8,353	316	43	13	4	3,123	2,198	209	1,234
% of Total	100%	53.91%	2.04%	0.28%	0.08%	0.03%	20.16%	14.19%	1.35%	7.96%

1 Does not include formerly disabled members

2 Option Elected:

Option 2 – Beneficiary receives 100% of member's modified allowance

Option 3 – Beneficiary receives 50% of member's modified allowance

Option 4 – Beneficiary receives 2/3 of member's modified allowance

Option 5 – Survivor receives 50% of member's modified allowance, upon death of either member or beneficiary

Option 6 – Beneficiary receives 100% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount

Option 7 – Beneficiary receives 50% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount

Option 8 – Compound option that allows the member to provide for more than one beneficiary

Option 9 – Beneficiary receives 75% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount

Table 11

Defined Benefit Program

Members Retired for Service Characteristics[1]

By Year of Retirement

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Unmodified Allowance	Average Final Compensation	Average Age at Retirement
7/1/1996 thru 6/30/1997					
0 – 5	50	2.4	$292	–	–
5 – 10	419	7.3	398	–	–
10 – 15	480	12.4	769	–	–
15 – 20	526	17.6	1,245	–	–
20 – 25	790	22.6	1,724	–	–
25 – 30	1,066	27.6	2,251	–	–
30 – 35	1,447	32.5	2,722	–	–
35 – 40	1,026	37.2	3,443	–	–
40 & over	207	42.0	4,080	–	–
Total	6,011	26.6	$2,210	$4,206	60.9
7/1/1997 thru 6/30/1998					
0 – 5	73	2.5	$298	–	–
5 – 10	530	7.4	414	–	–
10 – 15	572	12.6	834	–	–
15 – 20	581	17.7	1,280	–	–
20 – 25	884	22.6	1,811	–	–
25 – 30	1,356	27.7	2,331	–	–
30 – 35	1,799	32.5	2,817	–	–
35 – 40	1,259	37.2	3,548	–	–
40 & over	278	42.0	4,251	–	–
Total	7,332	26.8	$2,310	$4,345	60.8
7/1/1998 thru 6/30/1999					
0 – 5	72	2.8	$355	–	–
5 – 10	459	7.6	491	–	–
10 – 15	611	12.6	959	–	–
15 – 20	644	17.5	1,394	–	–
20 – 25	806	22.6	1,999	–	–
25 – 30	1,081	27.6	2,574	–	–
30 – 35	1,852	32.5	3,237	–	–
35 – 40	1,312	37.2	4,093	–	–
40 & over	411	42.6	5,147	–	–
Total	7,248	27.2	$2,706	$4,541	61.2

continued

Table 11

Defined Benefit Program

Members Retired for Service Characteristics[1]

By Year of Retirement

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Unmodified Allowance	Average Final Compensation	Average Age at Retirement
7/1/1999 thru 6/30/2000					
0 – 5	92	2.2	$279	–	–
5 – 10	519	7.6	504	–	–
10 – 15	658	12.5	994	–	–
15 – 20	694	17.6	1,512	–	–
20 – 25	900	22.5	2,099	–	–
25 – 30	960	27.4	2,733	–	–
30 – 35	1,968	32.5	3,487	–	–
35 – 40	1,382	37.1	4,495	–	–
40 & over	383	42.3	5,532	–	–
Total	7,556	26.8	$2,872	$4,688	61.3
7/1/2000 thru 6/30/2001[2]					
0 – 5	86	2.3	$226	–	–
5 – 10	505	7.3	513	–	–
10 – 15	661	12.6	1,067	–	–
15 – 20	707	17.4	1,594	–	–
20 – 25	821	22.4	2,165	–	–
25 – 30	988	27.3	3,076	–	–
30 – 35	2,446	32.6	4,138	–	–
35 – 40	2,041	37.2	5,267	–	–
40 & over	446	42.1	6,417	–	–
Total	8,701	28.1	$3,524	$5,312	61.2
7/1/2001 thru 6/30/2002[2]					
0 – 5	86	2.4	$228	–	–
5 – 10	499	7.3	512	–	–
10 – 15	679	12.6	1,093	–	–
15 – 20	860	17.4	1,714	–	–
20 – 25	886	22.3	2,387	–	–
25 – 30	1,081	27.1	3,288	–	–
30 – 35	2,912	32.7	4,536	–	–
35 – 40	2,277	37.2	5,738	–	–
40 & over	482	42.1	6,907	–	–
Total	9,762	28.3	$3,869	$5,686	61.1

[1]Does not include formerly disabled members

[2]The Average Unmodified Allowance for this fiscal year includes the Longevity Bonus

continued

Table 11

Defined Benefit Program

Members Retired for Service Characteristics[1]

By Year of Retirement

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Unmodified Allowance	Average Final Compensation	Average Age at Retirement
7/1/2002 thru 6/30/2003[2]					
0 – 5	103	2.4	$206	–	–
5 – 10	674	7.2	525	–	–
10 – 15	749	12.6	1,149	–	–
15 – 20	1,074	17.5	1,821	–	–
20 – 25	1,063	22.6	2,494	–	–
25 – 30	1,212	27.1	3,372	–	–
30 – 35	3,384	32.7	4,640	–	–
35 – 40	2,444	37.2	5,855	–	–
40 & over	486	42.3	7,114	–	–
Total	11,189	27.9	$3,879	$5,807	61.2
7/1/2003 thru 6/30/2004[2]					
0 – 5	116	2.4	$242	–	–
5 – 10	883	7.2	559	–	–
10 – 15	944	12.6	1,178	–	–
15 – 20	1,277	17.6	1,864	–	–
20 – 25	1,200	22.5	2,614	–	–
25 – 30	1,393	27.1	3,416	–	–
30 – 35	3,495	32.6	4,761	–	–
35 – 40	2,477	37.2	5,919	–	–
40 & over	516	42.1	7,255	–	–
Total	12,301	27.1	$3,817	$5,891	61.2
7/1/2004 thru 6/30/2005[2]					
0 – 5	122	2.5	$268	–	–
5 – 10	1,008	7.2	591	–	–
10 – 15	897	12.6	1,170	–	–
15 – 20	1,311	17.5	1,906	–	–
20 – 25	1,286	22.3	2,579	–	–
25 – 30	1,217	27.0	3,475	–	–
30 – 35	3,208	32.5	4,847	–	–
35 – 40	2,162	37.2	6,100	–	–
40 & over	413	42.0	7,422	–	–
Total	11,624	26.3	$3,744	$5,944	61.7

continued

Table 11

Defined Benefit Program

Members Retired for Service Characteristics[1]

By Year of Retirement

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Unmodified Allowance	Average Final Compensation	Average Age at Retirement
7/1/2005 thru 6/30/2006[2]					
0 – 5	115	2.4	$281	$5,724	61.2
5 – 10	980	7.3	607	4,056	61.7
10 – 15	919	12.5	1,197	4,756	61.2
15 – 20	1,235	17.6	1,935	5,387	61.2
20 – 25	1,198	22.2	2,631	5,758	61.3
25 – 30	1,143	27.0	3,678	6,423	61.9
30 – 35	2,843	32.5	4,982	6,685	60.4
35 – 40	2,091	37.2	6,279	7,024	61.2
40 & over	353	42.2	7,575	7,163	65.1
Total	10,877	26.0	$3,810	$6,079	61.2
7/1/2006 thru 6/30/2007[2]					
0 – 5	105	2.5	$253	$5,127	61.0
5 – 10	1,080	7.3	620	4,075	62.0
10 – 15	1,019	12.4	1,239	4,874	61.4
15 – 20	1,311	17.5	2,039	5,625	61.5
20 – 25	1,248	22.2	2,802	5,987	61.8
25 – 30	1,249	27.1	3,847	6,678	62.0
30 – 35	3,078	32.5	5,312	7,087	60.6
35 – 40	2,259	37.3	6,680	7,434	61.4
40 & over	413	42.2	8,151	7,830	65.0
Total	11,762	26.1	$4,059	$6,371	61.5
7/1/2007 thru 6/30/2008[2]					
0 – 5	129	2.6	$286	$5,393	61.5
5 – 10	1,038	7.3	643	4,213	62.2
10 – 15	1,093	12.4	1,307	5,090	61.6
15 – 20	1,324	17.7	2,148	5,822	61.6
20 – 25	1,463	22.2	2,902	6,203	61.7
25 – 30	1,408	27.0	4,000	6,921	62.1
30 – 35	3,203	32.5	5,526	7,315	60.9
35 – 40	2,443	37.3	6,908	7,685	61.4
40 & over	467	42.0	8,242	7,990	64.6
Total	12,568	26.3	$4,239	$6,612	61.6

[1] Does not include formerly disabled members

[2] The Average Unmodified Allowance for this fiscal year includes the Longevity Bonus

continued

Table 11

Defined Benefit Program

Members Retired for Service Characteristics[1]

By Year of Retirement

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Unmodified Allowance	Average Final Compensation	Average Age at Retirement
7/1/2008 thru 6/30/2009[2]					
0 – 5	126	2.4	$291	$5,814	62.4
5 – 10	1,022	7.4	668	4,236	62.8
10 – 15	1,145	12.4	1,336	5,140	62.1
15 – 20	1,323	17.7	2,235	5,995	61.8
20 – 25	1,535	22.3	3,116	6,537	62.1
25 – 30	1,406	27.1	4,125	7,076	62.2
30 – 35	3,161	32.4	5,687	7,506	61.1
35 – 40	2,574	37.2	7,122	7,866	61.7
40 & over	461	42.2	8,594	8,316	64.9
Total	12,753	26.3	$4,396	$6,796	61.9
7/1/2009 thru 6/30/2010[2]					
0 – 5	148	2.3	$289	$5,535	61.4
5 – 10	1,356	7.4	686	4,287	63.0
10 – 15	1,436	12.6	1,446	5,385	62.4
15 – 20	1,663	17.6	2,326	6,138	62.3
20 – 25	2,323	22.4	3,236	6,658	62.4
25 – 30	1,885	27.1	4,231	7,165	62.5
30 – 35	3,620	32.4	5,665	7,478	61.2
35 – 40	2,481	37.2	7,228	7,999	61.6
40 & over	581	42.3	8,759	8,409	65.4
Total	15,493	25.5	$4,256	$6,800	62.2

[1] Does not include formerly disabled members

[2] The Average Unmodified Allowance for this fiscal year includes the Longevity Bonus

Table 12

Defined Benefit Program

Members Retired for Service Characteristics[1]

By Total Service Credit

Total Service Credit	Number of Retirees	Average Service Credit	Average Unmodified Allowance[2]	Average Final Compensation	Average Age at Retirement
0 – 5	2,431	2.168	428	4,215	61.1
5 – 10	14,361	7.355	502	3,336	61.6
10 – 15	16,831	12.549	970	3,868	60.8
15 – 20	22,528	17.596	1,506	4,280	60.8
20 – 25	28,510	22.454	2,008	4,472	60.8
25 – 30	31,475	27.354	2,600	4,775	60.8
30 – 35	54,102	32.487	3,913	5,558	60.2
35 – 40	36,469	37.137	5,205	6,079	61.3
40 & Over	7,245	42.090	6,395	6,387	64.8
Total	213,952	26.345	3,017	4,983	60.9

[1]Does not include formerly disabled members

[2]The Average Unmodified Allowance includes Longevity Bonus

Table 13

Defined Benefit Program

Members Retired for Service
Classified by Years in Retirement[1]

As of June 30, 2010

MALE

Years in Retirement	Count	Average Age at Retirement	Average Service Credit	Average Final Compensation	Average Unmodified Allowance[2]	Average Allowance Payable[3]
Less than 1	4,751	62.3	26.659	7,086	4,712	4,361
1	3,985	62.1	27.717	7,137	4,944	4,559
2	3,825	61.7	28.001	6,949	4,811	4,529
3	3,639	61.6	27.589	6,718	4,589	4,392
4	3,338	61.3	27.991	6,481	4,433	4,340
5	3,736	61.3	28.470	6,308	4,346	4,333
6	3,862	61.4	29.152	6,247	4,417	4,480
7	3,645	61.2	30.424	6,178	4,533	4,671
8	3,059	61.2	30.733	6,059	4,514	4,744
9	2,868	61.3	30.975	5,744	4,258	4,566
10	2,335	61.3	29.970	5,157	3,445	3,787
11	2,353	61.3	30.565	4,996	3,294	3,646
12	2,319	60.7	30.418	4,758	2,844	3,201
13	1,922	60.7	30.241	4,583	2,721	3,133
14	2,273	60.6	30.306	4,543	2,679	3,174
15	2,270	60.7	29.795	4,382	2,530	3,053
16	2,314	60.5	30.314	4,423	2,598	3,207
17	2,528	60.7	30.250	4,361	2,564	3,212
18	2,095	60.6	30.090	4,236	2,473	3,124
19	2,314	60.5	30.171	4,154	2,372	3,047
20 and more	15,140	59.5	27.335	2,948	1,559	2,256
Total	74,571	60.9	28.847[4]	5,207[4]	3,407[4,5]	3,662[4]

[1] Does not include formerly disabled members

[2] Initial allowance before application of the option factor. Includes Longevity Bonus effective January 1, 2001.

[3] Includes cumulative application of annual 2 percent benefit improvement factor

[4] Overall averages

[5] Amount Includes Longevity Bonus

continued

Table 13

Defined Benefit Program

Members Retired for Service
Classified by Years in Retirement[1]

As of June 30, 2010

FEMALE

Years in Retirement	Count	Average Age at Retirement	Average Service Credit	Average Final Compensation	Average Unmodified Allowance[2]	Average Allowance Payable[3]
Less than 1	10,742	62.1	24.980	6,673	4,054	3,925
1	8,668	61.8	25.769	6,649	4,164	4,033
2	8,600	61.6	25.648	6,479	4,025	3,976
3	7,930	61.4	25.520	6,257	3,856	3,882
4	7,277	61.2	25.284	5,934	3,563	3,665
5	7,583	61.2	25.348	5,810	3,489	3,657
6	8,063	61.1	26.229	5,756	3,564	3,807
7	7,111	61.0	26.716	5,657	3,573	3,882
8	6,141	61.0	27.161	5,536	3,568	3,958
9	5,176	60.8	26.591	5,141	3,198	3,623
10	4,540	61.0	25.609	4,622	2,599	3,029
11	4,208	60.7	25.693	4,471	2,420	2,847
12	4,175	60.5	25.390	4,265	2,114	2,523
13	3,396	60.6	24.936	4,082	1,990	2,442
14	3,696	60.7	24.772	3,991	1,924	2,424
15	3,725	60.6	25.045	3,879	1,906	2,449
16	3,555	60.7	25.163	3,864	1,895	2,490
17	3,549	60.8	24.717	3,762	1,816	2,429
18	3,127	60.6	24.727	3,672	1,770	2,399
19	3,245	60.9	25.274	3,574	1,769	2,435
20 and more	24,874	59.7	22.199	2,329	1,019	1,607
Total	139,381	60.9[4]	25.006[4]	4,864[4]	2,808[4,5]	3,109[4]

[1]Does not include formerly disabled members

[2]Initial allowance before application of the option factor. Includes Longevity Bonus effective January 1, 2001.

[3]Includes cumulative application of annual 2 percent benefit improvement factor

[4]Overall averages

[5]Amount Includes Longevity Bonus

continued

Table 13

Defined Benefit Program

Members Retired for Service
Classified by Years in Retirement[1]

As of June 30, 2010

Population Information

TOTAL

Years in Retirement	Count	Average Age at Retirement	Average Service Credit	Average Final Compensation	Average Unmodified Allowance[2]	Average Allowance Payable[3]
Less than 1	15,493	62.2	25.495	6,800	4,256	4,059
1	12,653	61.9	26.383	6,803	4,410	4,199
2	12,425	61.6	26.373	6,623	4,267	4,146
3	11,569	61.4	26.171	6,402	4,086	4,043
4	10,615	61.2	26.135	6,106	3,836	3,878
5	11,319	61.2	26.379	5,974	3,772	3,880
6	11,925	61.2	27.176	5,915	3,840	4,025
7	10,756	61.1	27.972	5,834	3,898	4,150
8	9,200	61.0	28.349	5,710	3,883	4,219
9	8,044	61.0	28.154	5,356	3,576	3,959
10	6,875	61.1	27.090	4,803	2,886	3,286
11	6,561	60.9	27.440	4,659	2,733	3,134
12	6,494	60.6	27.186	4,441	2,374	2,765
13	5,318	60.6	26.853	4,263	2,254	2,692
14	5,969	60.6	26.879	4,201	2,212	2,710
15	5,995	60.6	26.844	4,069	2,143	2,677
16	5,869	60.6	27.194	4,084	2,172	2,772
17	6,077	60.8	27.019	4,011	2,127	2,755
18	5,222	60.6	26.878	3,898	2,052	2,690
19	5,559	60.7	27.313	3,815	2,020	2,690
20 and more	40,014	59.7	24.142	2,563	1,224	1,852
Total	213,952	60.9[4]	26.345[4]	4,983[4]	3,017[4,5]	3,302[4]

[1] Does not include formerly disabled members

[2] Initial allowance before application of the option factor. Includes Longevity Bonus effective January 1, 2001.

[3] Includes cumulative application of annual 2 percent benefit improvement factor

[4] Overall averages

[5] Amount Includes Longevity Bonus

Table 14

Defined Benefit Program

Characteristics of Members Going on Disability

MALE

Fiscal Year Ending June 30	Count	Average Disability Allowance Payable	Average Service Credit	Average Final Compensation	Average Age at Disability
1997	131	$2,097	16.949	$4,091	51.9
1998	126	2,040	14.400	4,557	51.4
1999	103	2,330	16.955	4,198	53.9
2000	119	2,153	14.713	4,178	53.1
2001	124	2,524	17.222	4,769	54.3
2002	114	2,490	15.161	4,827	54.2
2003	146	2,407	14.649	4,921	53.7
2004	161	2,577	14.791	5,015	54.1
2005	135	2,403	13.049	5,043	53.4
2006	94	2,595	14.066	5,252	55.5
2007	130	2,715	13.675	5,465	55.9
2008	123	2,703	14.164	5,704	56.1
2009	128	2,699	13.754	5,620	54.9
2010	140	2,796	14.551	5,987	57.1

FEMALE

Fiscal Year Ending June 30	Count	Average Disability Allowance Payable	Average Service Credit	Average Final Compensation	Average Age at Disability
1997	333	$1,854	15.154	$3,802	52.1
1998	325	1,972	15.345	3,888	52.5
1999	311	2,042	15.192	3,970	51.6
2000	335	2,114	15.407	4,194	52.4
2001	362	2,183	15.315	4,376	53.8
2002	440	2,215	14.757	4,515	53.5
2003	468	2,378	14.971	4,826	52.8
2004	419	2,344	14.322	4,854	53.0
2005	403	2,517	14.340	5,124	53.5
2006	308	2,499	14.059	5,098	54.2
2007	371	2,531	14.059	5,217	54.3
2008	387	2,646	14.046	5,406	53.9
2009	383	2,737	13.995	5,550	53.5
2010	358	2,836	14.513	5,765	54.6

continued
Table 14
Defined Benefit Program
Characteristics of Members Going on Disability

Total

Fiscal Year Ending June 30	Count	Average Disability Allowance Payable	Average Service Credit	Average Final Compensation	Average Age at Disability
1997	464	$1,923	15.660	$3,883	52.0
1998	451	1,989	14.446	3,906	52.3
1999	414	2,114	15.630	4,027	52.2
2000	454	2,124	15.224	4,190	52.6
2001	486	2,270	15.802	4,476	53.9
2002	554	2,272	14.840	4,580	53.6
2003	614	2,385	14.894	4,849	53.0
2004	580	2,409	14.453	4,899	53.3
2005	538	2,488	14.016	5,103	53.5
2006	402	2,522	14.061	5,134	54.5
2007	501	2,579	13.959	5,281	54.7
2008	510	2,660	14.074	5,478	54.5
2009	511	2,728	13.934	5,567	53.8
2010	498	2,825	14.524	5,827	55.3

Table 15
Defined Benefit Program
Number of Benefit Recipients by Type of Benefit

Fiscal Year Ending June 30	Service Retirement	Disability Benefits	Benefits for Survivors	Total Benefit Recipients
1997	135,809	5,676	12,154	153,639
1998	139,193	5,758	12,796	157,747
1999	142,309	5,822	13,326	161,457
2000	145,415	5,885	13,982	165,282
2001	149,727	6,477	14,768	170,972
2002	154,884	6,723	15,465	177,072[1]
2003	159,172	6,949	15,747	181,868
2004	169,022	7,311	16,912	193,245
2005	176,008	7,571	17,662	201,241
2006	181,833	7,683	18,330	207,846
2007	188,659	7,915	19,067	215,641
2008	195,960	8,170	19,838	223,968
2009	203,649	8,380	20,588	232,617
2010	213,952	8,581	21,263	243,796

[1] Disability and Survivor counts revised in 2003

Table 16

Defined Benefit Program

Refunds of Member Contributions and Interest Characteristics

by Fiscal Year and Service Credit

MALE

	From Active Status Count by Amount of Service Credit			From Inactive Status[1] Count by Amount of Service Credit			Total	
Fiscal Year Ending June 30	Less than 5 years	5 years or More	Average Service Credit	Less than 5 years	5 years or More	Average Service Credit	Average Refund	Count
1997	845	229	3.413	647	140	2.606	$9,795	1,861
1998	1,202	249	2.905	667	130	2.630	9,043	2,248
1999	1,258	232	3.047	642	120	2.640	9,949	2,252
2000	1,279	224	2.978	754	117	2.422	9,604	2,374
2001	1,053	202	3.208	681	131	2.800	10,982	2,067
2002	956	197	3.250	757	96	2.251	10,386	2,006
2003	949	183	3.161	763	93	2.295	9,805	1,988
2004	1,152	276	3.326	945	116	2.301	9,862	2,489
2005	845	254	3.678	1,018	146	2.289	10,129	2,263
2006	752	298	3.968	1,016	181	2.642	11,321	2,247
2007	709	275	4.044	1,142	205	2.688	11,265	2,331
2008	544	250	4.319	882	210	2.979	12,479	1,886
2009	539	213	4.178	827	204	3.235	13,406	1,783
2010	664	217	3.868	1,052	191	2.736	11,619	2,124

[1] Status is determined as of the end of the fiscal year. Inactive Status describes a member who has not contributed during that fiscal year.

Defined Benefit Program

Refunds of Member Contributions and Interest Characteristics

by Fiscal Year and Service Credit

FEMALE

From Active Status Count by Amount of Service Credit				From Inactive Status[1] Count by Amount of Service Credit			Total	
Fiscal Year Ending June 30	Less than 5 years	5 years or More	Average Service Credit	Less than 5 years	5 years or More	Average Service Credit	Average Refund	Count
1997	1,380	457	3.722	1,517	407	3.369	$10,860	3,761
1998	1,719	428	3.100	1,399	392	3.365	10,213	3,938
1999	2,041	409	3.105	1,368	368	3.277	10,513	4,186
2000	2,053	388	3.098	1,660	447	3.301	10,963	4,548
2001	1,784	377	3.295	1,451	418	3.369	11,858	4,030
2002	1,495	271	3.180	1,448	325	3.109	11,560	3,539
2003	1,415	306	3.254	1,401	282	3.024	11,261	3,404
2004	1,718	407	3.252	1,800	342	2.918	10,867	4,267
2005	1,369	368	3.639	2,082	442	3.036	11,541	4,261
2006	1,281	448	3.777	2,173	505	3.172	11,944	4,407
2007	1,086	514	4.246	2,401	503	3.076	12,483	4,504
2008	985	398	4.078	1,888	568	3.528	14,005	3,839
2009	834	317	3.958	1,685	438	3.372	13,506	3,274
2010	1,066	383	4.036	2,084	522	3.216	13,215	4,055

[1]Status is determined as of the end of the fiscal year. Inactive Status describes a member who has not contributed during that fiscal year.

continued

Table 16

Defined Benefit Program

Refunds of Member Contributions and Interest Characteristics

by Fiscal Year and Service Credit

TOTAL

	From Active Status Count by Amount of Service Credit			From Inactive Status[1] Count by Amount of Service Credit			Total	
Fiscal Year Ending June 30	Less than 5 years	5 years or More	Average Service Credit	Less than 5 years	5 years or More	Average Service Credit	Average Refund	Count
1997	2,225	686	3.608	2,164	547	3.147	$10,507	5,622
1998	2,921	677	3.022	2,066	522	3.139	9,788	6,186
1999	3,299	641	3.083	2,010	488	3.083	10,316	6,438
2000	3,332	612	3.052	2,414	564	3.044	10,497	6,922
2001	2,837	579	3.263	2,132	549	3.197	11,561	6,097
2002	2,451	468	3.207	2,205	421	2.830	11,135	5,545
2003	2,364	489	3.218	2,164	375	2.778	10,724	5,392
2004	2,870	683	3.282	2,745	458	2.714	10,497	6,756
2005	2,214	622	3.654	3,100	588	2.800	11,051	6,524
2006	2,033	746	3.849	3,189	686	3.008	11,733	6,654
2007	1,795	789	4.169	3,543	708	2.953	12,067	6,835
2008	1,529	648	4.166	2,770	778	3.359	13,502	5,725
2009	1,373	530	4.045	2,512	642	3.327	13,471	5,057
2010	1,730	600	3.972	3,136	713	3.061	12,666	6,179

[1] Status is determined as of the end of the fiscal year. Inactive Status describes a member who has not contributed during that fiscal year.

Table 17

Defined Benefit Program

Members Retired for Service
Electing to Receive a Partial Lump Sum

As of June 30, 2010

Fiscal Year Ending June 30	# of Members Eligible for PLS at Retirement	# of Members Electing PLS	Average Amount of PLS Payment	Average Unmodified Monthly Allowance	Average Reduced Monthly Allowance (after PLS)	Average % Reduction in Monthly Allowance
2002	3,717	89	$59,947.21	$4,539.89	$4,107.77	9.69
2003	6,944	282	51,337.17	4,064.92	3,690.29	9.55
2004	7,652	433	54,239.49	4,047.67	3,647.79	9.79
2005	9,911	364	54,951.91	3,894.39	3,493.02	10.52
2006	7,346	364	54,707.89	3,989.39	3,593.47	10.19
2007	8,567	344	69,504.77	4,718.27	4,213.43	10.68
2008	9,911	353	74,849.87	4,833.98	4,299.69	11.11
2009	10,157	446	73,242.50	4,896.67	4,368.56	10.78
2010	15,493	587	72,686.62	4,848.10	4,336.37	10.74

Table 18

Defined Benefit Program

Members Retired for Service
Receiving a CalSTRS Retirement Incentive

As of June 30, 2010

Fiscal Year Ending June 30	# of Members Receiving Retirement Incentive	Average Years of Service Credit
2002	136	30.58
2003	145	30.43
2004	874	30.90
2005	555	30.68
2006	270	29.74
2007	299	29.36
2008	267	30.00
2009	202	30.76
2010	341	29.33

Table 19

Defined Benefit Program

Members Retired for Service Working after Retirement

Fiscal Year Ending June 30	# of Retired Members Working After Retirement	% of Retired Members Working After Retirement Exceeding the Earnings Limit and Without Exemption
2000	19,579	4.20
2001	16,858	1.68
2002	20,641	2.02
2003	22,278	1.35
2004	23,540	1.53
2005	24,931	1.49
2006	24,924	1.98
2007	26,134	2.61
2008	27,140	2.75
2009	27,579	1.85
2010	27,707	1.31

Table 20

Defined Benefit Program

Retired Members by Type of Benefit and Option Selected

Monthly Unmodified Allowance[4]	Type of Benefit[1] Total	1[3]	2	3	Option Selected[2] Unmodified	2	3	4	5	6	7	8	9
Less than $500	18,852	16,033	187	2,632	13,962	1,938	655	78	93	1,338	555	74	159
500 – 1000	27,216	22,901	864	3,451	18,279	2,841	1,653	137	123	2,317	1,446	73	347
1000 – 1500	27,845	23,147	1,106	3,592	16,418	3,321	1,991	243	174	2,858	2,274	69	497
1500 – 2000	27,911	23,122	1,682	3,107	15,595	2,989	1,448	500	197	3,197	3,276	97	612
2000 – 2500	26,694	21,828	2,183	2,683	13,791	2,690	1,161	432	232	3,709	3,860	116	703
2500 – 3000	21,621	18,204	1,508	1,909	10,631	2,006	699	330	132	3,667	3,395	115	646
3000 – 3500	16,549	14,505	735	1,309	7,779	1,385	431	265	78	3,167	2,719	123	602
3500 – 4000	12,436	11,471	205	760	5,757	940	303	177	59	2,398	2,197	87	518
4000 – 4500	11,112	10,516	71	525	4,973	767	236	106	41	2,220	2,175	125	469
4500 – 5000	10,778	10,338	21	419	4,711	690	219	72	31	2,397	2,057	123	478
5000 – 5500	10,691	10,388	12	291	4,574	661	178	65	19	2,462	2,049	134	549
5500 – 6000	9,071	8,864	1	206	3,851	555	154	61	17	2,106	1,685	125	517
6000 & Greater	23,020	22,635	6	379	8,662	1,758	315	133	42	6,170	3,992	483	1,465
Total	243,796	213,952	8,581	21,263	128,983	22,541	9,443	2,599	1,238	38,006	31,680	1,744	7,562

[1]Type of Benefit:
1) Service Retirement
2) Disability Benefits
3) Survivor Benefits

[2] Option Selected:
Option 2 – Beneficiary receives 100% of member's modified allowance
Option 3 – Beneficiary receives 50% of member's modified allowance
Option 4 – Beneficiary receives 2/3 of member's modified allowance
Option 5 – Survivor receives 50% of member's modified allowance, upon death of either member or beneficiary
Option 6 – Beneficiary receives 100% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount
Option 7 – Beneficiary receives 50% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount
Option 8 – Compound option that allows the member to provide for more than one beneficiary
Option 9 – Beneficiary receives 75% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount

[3]Does not include formerly disabled members

[4]As of the June 30, 2004, population report the longevity bonus is included in the unmodified allowance

Table 21

Defined Benefit Program

Retired Members Classified by Age[1]

MALE

Age as of 6/30/10[2]	Count	Average Service Credit	Average Final Comp	Average Unmodified Allowance[3]	Age as of 6/30/10[2]	Count	Average Service Credit	Average Final Comp	Average Unmodified Allowance[3]
<55	15	29.657	$7,074	$3,410	78	2,501	29.652	4,290	2,615
55	175	18.938	5,811	1,838	79	2,396	29.459	4,106	2,471
56	238	20.805	6,523	2,364	80	2,172	29.101	4,010	2,350
57	450	22.422	6,337	2,601	81	1,990	28.422	3,809	2,189
58	649	23.855	6,431	3,052	82	1,831	29.082	3,616	2,121
59	1,025	26.270	6,690	3,691	83	1,666	28.685	3,491	2,017
60	1,513	27.543	6,795	4,122	84	1,630	28.642	3,246	1,892
61	2,301	28.997	6,926	4,672	85	1,436	28.131	3,073	1,768
62	2,966	29.160	6,966	4,819	86	1,227	26.802	2,882	1,582
63	3,860	29.409	6,889	4,855	87	1,076	26.542	2,795	1,525
64	3,092	29.205	6,750	4,766	88	900	26.175	2,690	1,470
65	3,255	28.823	6,514	4,558	89	750	26.355	2,592	1,415
66	3,282	29.190	6,344	4,496	90	503	25.352	2,448	1,306
67	3,437	29.241	6,233	4,417	91	396	25.138	2,384	1,262
68	3,204	29.318	6,038	4,311	92	292	24.844	2,171	1,111
69	2,922	29.814	5,839	4,192	93	170	23.163	2,010	1,046
70	2,875	29.080	5,611	3,893	94	153	25.351	1,863	1,008
71	2,697	29.489	5,357	3,654	95	118	26.119	2,089	1,280
72	2,698	29.499	5,176	3,411	96	71	24.026	1,851	1,004
73	2,560	30.012	5,025	3,311	97	41	23.263	1,867	1,013
74	2,564	29.797	4,829	3,090	98	21	24.691	1,438	744
75	2,488	29.893	4,740	2,966	99	22	20.166	1,600	734
76	2,470	30.102	4,528	2,831	≥ 100	19	26.154	1,367	794
77	2,454	29.749	4,429	2,726	Total	74,571	28.847	$5,207	$3,407

[1] Does not include formerly disabled members

[2] Age rounded to the nearest full year

[3] The Average Unmodified Allowance includes Longevity Bonus

continued

Table 21

Defined Benefit Program

Retired Members Classified by Age[1]

FEMALE

Age as of 6/30/10[2]	Count	Average Service Credit	Average Final Comp	Average Unmodified Allowance[3]	Age as of 6/30/10[2]	Count	Average Service Credit	Average Final Comp	Average Unmodified Allowance[3]
<55	52	30.629	$7,093	$3,304	78	3,374	24.640	3,808	2,012
55	426	20.322	6,075	2,016	79	3,220	24.618	3,634	1,897
56	788	20.668	6,048	2,172	80	3,117	24.226	3,493	1,785
57	1,241	21.707	6,196	2,473	81	2,995	23.826	3,248	1,634
58	1,823	22.914	6,269	2,790	82	2,844	23.437	3,166	1,558
59	2,511	23.931	6,295	3,070	83	2,497	23.083	2,982	1,448
60	3,709	24.674	6,332	3,354	84	2,422	22.835	2,878	1,385
61	4,968	26.064	6,411	3,781	85	2,102	22.554	2,697	1,282
62	6,462	26.624	6,450	3,995	86	1,885	22.156	2,540	1,187
63	8,375	26.776	6,377	4,034	87	1,654	21.596	2,353	1,067
64	6,680	26.449	6,209	3,902	88	1,622	22.404	2,265	1,085
65	6,714	26.084	6,042	3,779	89	1,484	22.074	2,132	990
66	7,001	25.989	5,849	3,647	90	1,247	21.405	1,971	893
67	7,461	26.038	5,681	3,557	91	1,015	21.964	1,878	859
68	6,322	25.905	5,506	3,432	92	836	20.996	1,741	771
69	5,627	25.814	5,309	3,285	93	678	21.722	1,708	839
70	5,157	25.945	5,159	3,184	94	531	22.173	1,558	749
71	5,028	25.567	4,921	2,935	95	413	21.907	1,492	725
72	4,798	25.363	4,698	2,704	96	354	21.928	1,430	710
73	4,342	25.685	4,522	2,603	97	219	21.513	1,274	602
74	4,048	25.476	4,347	2,450	98	166	20.496	1,201	559
75	3,960	25.152	4,208	2,320	99	122	20.950	1,128	498
76	3,506	24.644	4,065	2,164	≥ 100	203	21.389	968	452
77	3,382	24.616	3,904	2,056	Total	139,381	25.006	$4,864	$2,808

[1] Does not include formerly disabled members

[2] Age rounded to the nearest full year

[3] The Average Unmodified Allowance includes Longevity Bonus

continued

Table 21

Defined Benefit Program

Retired Members Classified by Age[1]

TOTAL

Age as of 6/30/10[2]	Count	Average Service Credit	Average Final Comp	Average Unmodified Allowance[3]	Age as of 6/30/10[2]	Count	Average Service Credit	Average Final Comp	Average Unmodified Allowance[3]
<55	67	30.411	$7,088	$3,328	78	5,875	26.773	4,013	2,269
55	601	19.919	5,998	1,964	79	5,616	26.684	3,835	2,142
56	1,026	20.700	6,158	2,217	80	5,289	26.228	3,705	2,017
57	1,691	21.898	6,233	2,507	81	4,985	25.661	3,472	1,855
58	2,472	23.161	6,312	2,859	82	4,675	25.648	3,343	1,778
59	3,536	24.609	6,410	3,250	83	4,163	25.325	3,186	1,676
60	5,222	25.506	6,466	3,577	84	4,052	25.171	3,026	1,589
61	7,269	26.992	6,574	4,063	85	3,538	24.817	2,850	1,479
62	9,428	27.422	6,612	4,254	86	3,112	23.988	2,675	1,343
63	12,235	27.607	6,538	4,293	87	2,730	23.545	2,527	1,248
64	9,772	27.321	6,380	4,175	88	2,522	23.750	2,417	1,222
65	9,969	26.978	6,196	4,033	89	2,234	23.512	2,286	1,133
66	10,283	27.010	6,007	3,918	90	1,750	22.539	2,108	1,012
67	10,898	27.048	5,855	3,828	91	1,411	22.854	2,020	972
68	9,526	27.053	5,685	3,728	92	1,128	21.992	1,852	859
69	8,549	27.181	5,490	3,595	93	848	22.011	1,769	881
70	8,032	27.067	5,321	3,437	94	684	22.884	1,626	807
71	7,725	26.936	5,073	3,186	95	531	22.843	1,624	849
72	7,496	26.851	4,870	2,958	96	425	22.278	1,501	759
73	6,902	27.290	4,708	2,866	97	260	21.789	1,368	667
74	6,612	27.152	4,534	2,698	98	187	20.967	1,227	580
75	6,448	26.981	4,413	2,569	99	144	20.830	1,200	534
76	5,976	26.900	4,257	2,440	≥ 100	222	21.796	1,003	481
77	5,836	26.775	4,125	2,338	Total	213,952	26.345	$4,983	$3,017

[1] Does not include formerly disabled members

[2] Age rounded to the nearest full year

[3] The Average Unmodified Allowance includes Longevity Bonus

Table 22

Defined Benefit Program

Breakdown of Membership

Fiscal Year Ending June 30	Active Memers	Inactive Members	Service Retirement	Disability Benefits	Benefits for Survivors	Total Members & Beneficiaries
1997	364,000	59,385	135,809	5,676	12,154	577,024
1998	385,530	61,848	139,193	5,758	12,796	605,125
1999	402,220	69,112	142,309	5,822	13,326	632,789
2000	420,530	75,580	145,415	5,885	13,982	661,392
2001	428,741	87,146	149,727	6,477	14,768	686,859
2002	442,208	96,159	154,884	6,723	15,465	715,439
2003	448,478	104,617	159,172	6,949	15,747	734,963
2004	444,680	116,128	169,022	7,311	16,912	754,053
2005	450,282	124,394	176,008	7,571	17,662	775,917
2006	453,365	133,601	181,833	7,683	18,330	794,812
2007	455,693	141,450	188,659	7,915	19,067	812,784
2008	461,378	147,997	195,960	8,170	19,838	833,343
2009	459,009	156,207	203,649	8,380	20,588	847,833
2010	441,544	166,976	213,952	8,581	21,263	852,316

Table 23

Defined Benefit Program

Retirees Who Live in California Characteristics by County

County	Count	Average				
		Total Service Credit	Unmodified Benefit (included Longevity bonus)	Final Comp	Age as of 6-30-10	Age at Retirement
Alameda	7,064	26.571	$3,187	$5,148	72.1	61.4
Alpine	15	22.599	2,341	3,955	72.5	60.0
Amador	369	24.931	2,487	4,594	72.1	60.1
Butte	2,051	25.800	2,695	4,722	71.3	60.0
Calaveras	496	25.654	2,713	4,841	71.1	59.7
Colusa	110	27.056	2,535	4,171	72.5	60.4
Contra Costa	6,125	26.302	2,916	4,809	72.7	61.2
Del Norte	206	26.407	2,579	4,426	71.3	60.0
El Dorado	1,546	26.560	2,955	4,946	70.7	60.1
Fresno	5,236	27.797	3,041	4,805	71.7	60.8
Glenn	151	27.303	2,935	4,667	70.9	60.2
Humboldt	1,206	26.019	2,450	4,327	71.1	59.9
Imperial	558	29.007	3,717	5,456	70.7	61.8
Inyo	201	24.336	2,249	4,276	71.3	59.4
Kern	3,578	27.846	3,293	5,130	71.1	61.1
Kings	547	27.695	3,262	5,126	70.1	60.7
Lake	384	26.430	2,631	4,538	70.1	59.8
Lassen	263	27.824	2,830	4,728	70.4	59.8
Los Angeles	35,246	27.666	3,377	5,186	72.8	62.0
Madera	814	26.363	2,845	4,861	70.5	60.3
Marin	1,989	25.444	2,617	4,562	73.7	61.0
Mariposa	188	26.742	2,652	4,669	70.4	59.7
Mendocino	904	25.568	2,635	4,521	70.6	60.2
Merced	1,110	28.034	3,276	5,103	71.0	60.9
Modoc	71	25.839	2,506	4,342	69.7	60.4
Mono	80	26.128	2,930	5,147	68.5	59.1
Monterey	2,446	26.379	3,006	4,939	71.7	60.6
Napa	1,088	25.897	2,829	4,819	72.5	60.5
Nevada	1,200	25.314	2,617	4,696	71.1	59.7
Orange	17,359	27.907	3,622	5,482	72.0	61.4
Placer	3,335	27.240	3,052	4,956	72.0	60.3
Plumas	259	26.471	2,657	4,683	69.2	59.3

continued

Table 23

Defined Benefit Program

Retirees Who Live in California Characteristics by County

County	Count	Average				
		Total Service Credit	Unmodified Benefit (included Longevity bonus)	Final Comp	Age as of 6-30-10	Age at Retirement
Riverside	8,806	26.024	$3,138	$5,303	71.5	61.0
Sacramento	7,320	25.979	2,894	4,885	72.2	60.9
San Benito	273	26.422	3,251	5,378	69.9	59.9
San Bernardino	7,360	26.679	3,382	5,492	70.5	61.3
San Diego	16,814	26.328	3,088	5,136	71.6	60.6
San Francisco	2,459	25.944	2,771	4,746	73.5	61.5
San Joaquin	3,096	27.715	3,210	5,077	71.3	61.1
San Luis Obispo	2,965	25.765	2,716	4,752	71.9	59.8
San Mateo	3,417	28.011	3,218	4,939	73.7	61.4
Santa Barbara	2,648	26.555	2,779	4,561	73.7	60.7
Santa Clara	8,114	27.437	3,395	5,274	72.5	61.2
Santa Cruz	2,463	25.957	2,887	4,933	71.1	60.2
Shasta	1,112	26.652	2,622	4,477	71.6	60.0
Sierra	51	26.354	2,839	4,907	69.5	59.6
Siskiyou	568	26.700	2,500	4,341	70.0	59.5
Solano	1,971	26.433	3,077	5,013	70.8	61.1
Sonoma	3,812	25.962	2,710	4,667	72.3	60.3
Stanislaus	2,590	27.715	3,355	5,247	71.3	60.7
Sutter	612	28.464	3,258	4,891	71.2	61.0
Tehama	334	27.128	2,635	4,346	72.2	59.9
Trinity	158	25.460	2,523	4,569	69.1	59.8
Tulare	2,313	28.071	3,304	5,133	70.4	60.8
Tuolumne	641	25.927	2,685	4,684	71.3	59.9
Ventura	4,919	27.204	3,219	5,060	72.1	61.1
Yolo	1,183	24.961	2,758	4,791	71.4	61.0
Yuba	246	26.643	2,823	4,614	72.0	60.6
Total	182,440	26.960	3,167	5,084	72.0	61.1

Table 24

Defined Benefit Program

Market Value of Assets and Annual Rate of Return

Fiscal Year Ending June 30	Market Value of Assets (in millions)	Annual Return on Investments
1985	$14,208	31.42%
1986	19,412	27.80%
1987	22,352	16.95%
1988	24,348	-.62%
1989	28,984	16.65%
1990	32,208	9.15%
1991	35,259	8.82%
1992	40,772	14.14%
1993	46,828	14.96%
1994	47,523	-.36%
1995	55,481	16.43%
1996	63,368	13.22%
1997	74,842	17.36%
1998	88,289	17.06%
1999	99,925	13.30%
2000	112,640	12.70%
2001	102,808	-9.14%
2002	96,696	-5.95%
2003	100,525	3.39%
2004	116,178	17.38%
2005	129,592	11.11%
2006	143,848	13.31%
2007	171,899	21.03%
2008	161,459	-3.69%
2009	118,875	-25.03%
2010	129,961	12.20%

Table 1

Defined Benefit Supplement Program[4]

Total Active Member Characteristics[1]
As of June 30, 2010

Active DB Accounts With DBS Contribution Balances[3] Based on 2% of Regular Earnings

Gender	Count	% of Total Active Population (based on gender)	Averages: 2% Member Paid Balance	Averages: Total Accumulated DBS Balance	Averages: Age For Group
Male	126,819	99.95%	$11,525.39	$16,750.98	46.1
Female	314,507	99.95%	10,406.06	13,115.49	44.6
Total	441,326	99.95%	$10,727.71	$14,160.18	45.0

Active DB Accounts With DBS Limited Term Enhancement Contribution Balances[3]

Gender	Count	% of Total Active Population (based on gender)	Averages: Limited Term Enhancement Member Paid Balance	Averages: Limited Term Enhancement Employer Paid Balance	Averages: Total Accumulated DBS Balance	Averages: Age For Group
Male	4,838	3.81%	$147.06	$147.07	$20,675.77	46.7
Female	11,461	3.64%	$140.53	$140.54	$16,553.45	45.8
Total	16,299	3.69%	$142.47	$142.48	$17,777.07	46.1

[1] Accounts are coded "active" when a person achieves "member" status and member contributions are received by the DB Program. Active accounts without DBS contributions are generally the result of these individuals achieving DB member status late in the fiscal year and their initial DBS contributions not being received until the following fiscal year.

[2] Excess Service Credit contributions are paid at the rate of 6 percent of earnings by the member and 8 percent of earnings by the employer.

[3] All balances represent contributions and associated interest credited on those contributions.

[4] The DBS Program was effective from January 1, 2001, through December 31, 2010.

continued

Table 1

Defined Benefit Supplement Program[4]

Total Active Member Characteristics[1]

As of June 30, 2010

Active DB Accounts With DBS Excess Service Credit Contribution Balances[3]

			Averages			
Gender	Count	% of Total Active Population (based on gender)	Excess Service Credit Member Paid Balance[2]	Excess Service Credit Employer Paid Balance[2]	Total Accumulated DBS Balance	Age For Group
Male	104,603	82.44%	$2,709.22	$3,612.59	$19,534.81	46.2
Female	254,791	80.97%	1,427.88	1,903.92	15,345.37	45.0
Total	359,394	81.39%	$1,800.82	$2,401.23	$16,564.72	45.3

Summary of Active DB Accounts With and Without DBS Contribution Balances[3]

	Total DB Active accounts with DBS balances		Total DB Active accounts without DBS balances[1]		Total DB active population	
Gender	Count	% of Total Active Population (based on gender)	Count	% of Total Active Population (based on gender)	Count	% of Total Active Population (based on gender)
Male	126,819	99.95%	61	0.05%	126,880	100.00%
Female	314,507	99.95%	157	0.05%	314,664	100.00%
Total	441,326	99.95%	218	0.05%	441,544	100.00%

[1] Accounts are coded "active" when a person achieves "member" status and member contributions are received by the DB Program. Active accounts without DBS contributions are generally the result of these individuals achieving DB member status late in the fiscal year and their initial DBS contributions not being received until the following fiscal year.

[2] Excess Service Credit contributions are paid at the rate of 6 percent of earnings by the member and 8 percent of earnings by the employer.

[3] All balances represent contributions and associated interest credited on those contributions.

[4] The DBS Program was effective from January 1, 2001, through December 31, 2010.

Table 2

Defined Benefit Supplement Program

Active Member Characteristics by Fiscal Year[1]
As of June 30, 2010

Active DB Accounts with Current Year DBS Contributions Based on 2% of Regular Earnings

		Averages		
Fiscal Year	Count of Members with Current Year 2% Contributions	Current Year 2% Contribution Amount	Total Current Year DBS Contribution[4]	Total DBS Balance as of June 30[3]
2002	441,593	$985.14	$985.14	$1,493.86
2003	447,844	1,066.47	1,446.21	2,999.58
2004	443,940	1,071.53	1,442.38	4,476.56
2005	449,269	1,090.55	1,470.74	5,907.15
2006	452,737	1,128.77	1,526.31	7,398.80
2007	454,881	1,191.77	1,589.58	8,933.30
2008	460,395	1,242.17	1,685.34	10,585.23
2009	458,243	1,256.18	1,694.98	12,327.75
2010	440,824	1,240.86	1,579.52	14,168.68

Active DB Accounts with Current Year DBS Limited Term Enhancement (LTE) Contributions

		Averages			
Fiscal Year	Count of Members with Current Year LTE Contributions	Current Year LTE Member Contribution Amount	Current Year LTE Employer Contribution Amount	Total Current Year DBS Contribution[4]	Total DBS Balance as of June 30[3]
2002	N/A	N/A	N/A	N/A	N/A
2003	3,787	$79.04	$79.08	$1,667.95	$3,244.66
2004	2,883	118.47	118.48	1,868.89	4,845.20
2005	3,341	87.56	87.56	1,713.85	6,013.23
2006	2,714	84.04	84.04	1,723.08	7,632.07
2007	1,770	88.82	88.82	2,027.01	9,847.55
2008	4,680	129.46	129.46	2,097.46	11,431.85
2009	2,921	97.03	97.03	2,098.95	13,641.39
2010	1,358	180.68	180.68	2,294.42	16,028.15

[1] Accounts are coded "active" when a person achieves "member" status and member contributions are received by the DB Program.

[2] Excess Service Credit contributions are paid at the rate of 6 percent of earnings by the member and 8 percent of earnings by the employer.

[3] Each balance amount represent the total contributions and associated interest credited for the indicated group.

[4] Total Current Year Contribution amounts reflect all 2 percent, LTE, and ESC contributions made in the current year by the indicated group.

continued

Table 2

Defined Benefit Supplement Program

Active Member Characteristics by Fiscal Year[1]

As of June 30, 2010

Active DB Accounts with Current Year DBS Excess Service Credit (ESC) Contributions[2]

		Averages			
Fiscal Year	Count of Members with Current Year ESC Contributions	Current Year ESC Member Contribution Amount	Current Year ESC Employer Contribution Amount	Total Current Year DBS Contribution[4]	Total DBS Balance as of June 30[3]
2002	N/A	N/A	N/A	N/A	N/A
2003	284,370	$255.16	$340.77	$1,831.72	$3,583.39
2004	274,903	255.59	340.84	1,848.13	5,435.11
2005	280,353	260.22	349.97	1,884.19	7,205.04
2006	282,210	272.65	363.54	1,957.80	9,021.24
2007	274,977	281.56	375.44	2,057.31	10,936.71
2008	284,424	305.68	407.49	2,169.13	12,934.62
2009	272,811	315.02	420.02	2,210.62	15,174.37
2010	246,286	258.94	345.25	2,076.77	17,728.29

[1]Accounts are coded "active" when a person achieves "member" status and member contributions are received by the DB Program.

[2]Excess Service Credit contributions are paid at the rate of 6 percent of earnings by the member and 8 percent of earnings by the employer.

[3]Each balance amount represent the total contributions and associated interest credited for the indicated group.

[4]Total Current Year Contribution amounts reflect all 2 percent, LTE, and ESC contributions made in the current year by the indicated group.

Table 3

Defined Benefit Supplement Program

Inactive Member Characteristics[1]
As of June 30, 2010

Inactive accounts with DBS contribution balances 3 based on 2% of regular earnings

			Averages		
Gender	Count	% of Total Inactive Population (based on gender)	2% Member Paid Balance	Total Accumulated DBS Balance	Age For Group
Male	32,617	66.85%	$1,993.19	$2,457.07	45.0
Female	79,939	67.64%	2,405.44	2,788.44	41.9
Total	112,556	67.41%	$2,285.98	$2,692.41	42.8

Inactive accounts with DBS Limited Term Enhancement contribution balances[3]

			Averages			
Gender	Count	% of Total Inactive Population (based on gender)	Limited Term Enhancement Member Paid Balance	Limited Term Enhancement Employer Paid Balance	Total Accumulated DBS Balance	Age For Group
Male	341	0.70%	$165.66	$165.67	$7,329.20	43.5
Female	1,094	0.93%	128.89	128.89	6,327.70	40.1
Total	1,435	0.86%	$137.63	$137.63	$6,565.69	40.9

[1] Accounts are coded "inactive" when a person who is in DB "member" status does not contribute DB member contributions during the select fiscal year. Inactive accounts without DBS contributions are the result of these individuals being inactive since DBS Program inception.

[2] Excess Service Credit contributions are paid at the rate of 6 percent of earnings by the member and 8 percent of earnings by the employer.

[3] All balances represent contributions and associated interest credited on those contributions.

continued

Table 3

Defined Benefit Supplement Program

Inactive Member Characteristics[1]

As of June 30, 2010

Inactive accounts with DBS Excess Service Credit contribution balances[3]

			Averages			
Gender	Count	% of Total Inactive Population (based on gender)	Excess Service Credit Member Paid Balance[2]	Excess Service Credit Employer Paid Balance[2]	Total Accumulated DBS Balance	Age For Group
Male	9,168	18.79%	$702.26	$935.74	$6,774.24	42.5
Female	27,450	23.23%	473.47	631.58	6,188.05	39.4
Total	36,618	21.93%	$530.75	$707.73	$6,334.81	40.2

Summary of DB Inactive accounts with and without DBS contribution balances[3]

	Total Inactive Accounts with DBS Balances		Total Inactive Accounts without DBS balances[1]		Total Inactive Population	
Gender	Count	% of Total Inactive Population (based on gender)	Count	% of Total Inactive Population (based on gender)	Count	% of Total Inactive Population (based on gender)
Male	32,617	66.85%	16,174	33.15%	48,791	100.00%
Female	79,939	67.64%	38,246	32.36%	118,185	100.00%
Total	112,556	67.41%	54,420	32.59%	166,976	100.00%

[1] Accounts are coded "inactive" when a person who is in DB "member" status does not contribute DB member contributions during the select fiscal year. Inactive accounts without DBS contributions are the result of these individuals being inactive since DBS Program inception.

[2] Excess Service Credit contributions are paid at the rate of 6 percent of earnings by the member and 8 percent of earnings by the employer.

[3] All balances represent contributions and associated interest credited on those contributions.

Table 4

Defined Benefit Supplement Program

All Members Retired for Service

As of June 30, 2010

MALE

		Annuity Benefits			Lump Sum Benefits		
Benefit Type	Average Accumulated Credits	Count	Average Monthly Amount	Average Age	Count	Average Amount	Average Age
Lump Sum Only	$9,000.02	N/A	N/A	N/A	22,929	$9,000.02	61.6
Single Life W/O Cash	8,418.30	234	$68.53	61.6	0	0	0.0
Single Life with Cash	16,218.36	1,420	132.28	61.9	19	5,836.26	64.2
100% J & S	16,463.15	2,576	135.74	61.8	31	7,097.16	60.8
75% J & S	17,990.81	228	148.81	61.9	5	6,740.00	61.5
50% J & S	17,663.89	472	142.82	61.9	10	8,055.75	62.1
Period Certain: 10 Years	19,622.86	1,564	240.57	62.0	29	9,020.82	63.0
9 Years	18,410.37	122	238.45	61.6	2	20,000.00	60.9
8 Years	17,908.50	98	253.04	61.3	4	7,625.00	60.9
7 Years	18,705.74	191	288.15	60.8	7	15,214.29	61.0
6 Years	19,590.01	224	344.01	60.7	9	11,222.22	61.3
5 Years	19,618.39	1,624	401.54	61.9	53	9,445.94	62.5
4 Years	18,762.36	243	462.15	61.1	13	7,645.15	60.9
3 Years	19,533.07	888	617.23	62.1	69	9,314.20	61.5
Total	11,550.77	9,884	255.93	61.8	23,180	8,998.66	61.6

continued

Table 4

Defined Benefit Supplement Program

All Members Retired for Service

As of June 30, 2010

FEMALE

		Annuity Benefits			Lump Sum Benefits		
Benefit Type	Average Accumulated Credits	Count	Average Monthly Amount	Average Age	Count	Average Amount	Average Age
Lump Sum Only	$8,424.00	N/A	N/A	N/A	49,523	$8,424.00	61.4
Single Life W/O Cash	7,642.89	857	$62.04	61.5	6	3,990.69	62.3
Single Life with Cash	14,991.17	5,766	122.04	62.0	65	6,536.38	62.8
100% J & S	14,063.89	2,621	115.20	61.1	24	5,464.58	60.9
75% J & S	15,455.36	301	128.07	61.7	4	6,983.25	62.1
50% J & S	15,749.98	1,092	124.78	61.8	14	8,372.03	63.3
Period Certain: 10 Years	16,028.56	2,568	196.97	61.9	43	6,738.10	62.0
9 Years	15,645.48	256	206.79	61.1	1	8,500.00	61.2
8 Years	14,775.24	166	210.59	61.2	5	4,480.00	62.8
7 Years	15,763.08	282	250.29	61.0	3	4,500.00	60.7
6 Years	16,179.50	351	284.52	61.4	16	7,576.54	61.9
5 Years	16,661.25	2,971	342.93	61.6	90	6,126.67	61.3
4 Years	16,771.85	412	417.20	61.6	15	5,566.67	61.5
3 Years	16,687.92	1,734	528.99	61.8	112	7,561.18	62.4
Total	10,222.67	19,377	211.89	61.7	49,921	8,410.17	61.4

continued

Table 4

Defined Benefit Supplement Program

All Members Retired for Service

As of June 30, 2010

TOTALS

		Annuity Benefits			Lump Sum Benefits		
Benefit Type	Average Accumulated Credits	Count	Average Monthly Amount	Average Age	Count	Average Amount	Average Age
Lump Sum Only	$8,606.29	N/A	N/A	N/A	72,452	$8,606.29	61.5
Single Life W/O Cash	7,809.20	1,091	$63.43	61.6	6	3,990.69	62.3
Single Life with Cash	15,233.67	7,186	124.07	62.0	84	6,378.02	63.1
100% J & S	15,253.14	5,197	125.38	61.4	55	6,384.76	60.8
75% J & S	16,548.15	529	137.01	61.8	9	6,848.11	61.8
50% J & S	16,327.58	1,564	130.22	61.8	24	8,240.24	62.8
Period Certain: 10 Years	17,651.49	2,622	558.88	61.9	181	8,229.46	62.0
9 Years	17,389.04	4,132	213.47	61.9	72	7,657.53	62.4
8 Years	16,537.85	378	217.01	61.3	3	16,166.67	61.0
7 Years	15,938.35	264	226.35	61.2	9	5,877.78	62.0
6 Years	16,951.34	473	265.58	60.9	10	12,000.00	60.9
5 Years	17,508.11	575	307.70	61.1	25	8,888.98	61.7
4 Years	17,706.38	4,595	363.64	61.7	143	7,356.89	61.8
3 Years	17,510.32	655	433.88	61.4	28	6,531.68	61.2
Total	10,651.12	29,261	226.77	61.7	73,101	8,596.78	61.5

Table 5

Defined Benefit Supplement Program

All Members Receiving Disability Benefits
As of June 30, 2010

MALES

		Annuity Benefits			Lump Sum Benefits		
Benefit Type	Average Accumulated Credits	Count	Average Monthly Amount	Average Age	Count	Average Amount	Average Age
Lump Sum Only	$8,729.02	N/A	N/A	N/A	974	$8,729.02	53.4
Single Life W/O Cash	9,918.26	12	$95.66	57.0	1	3500.0	57.7
Single Life with Cash	14,563.56	20	123.13	56.3	0	0	0.0
100% J & S	11,771.39	13	117.18	57.2	0	0	0.0
75% J & S	15,084.79	7	157.55	58.9	0	0	0.0
50% J & S	12,062.29	4	120.43	51.5	0	0	0.0
Period Certain: 10 Years	15,930.17	11	197.45	56.6	0	0	0.0
9 Years	0	0	0	0.0	0	0	0.0
8 Years	32,866.02	2	480.66	49.6	0	0	0.0
7 Years	16,648.38	3	264.04	56.3	0	0	0.0
6 Years	8,403.00	3	148.34	54.2	0	0	0.0
5 Years	19,271.33	9	400.10	58.0	0	0	0.0
4 Years	21,060.28	5	493.13	58.2	1	8000.0	59.3
3 Years	17,504.72	11	561.52	59.7	1	3500.0	50.5
Total	9,065.33	100	233.32	56.9	977	8,717.56	53.4

continued

Table 5

Defined Benefit Supplement Program

All Members Receiving Disability Benefits
As of June 30, 2010

FEMALE

		Annuity Benefits			Lump Sum Benefits		
Benefit Type	Average Accumulated Credits	Count	Average Monthly Amount	Average Age	Count	Average Amount	Average Age
Lump Sum Only	$7,012.75	N/A	N/A	N/A	2935	$7,012.75	52.0
Single Life W/O Cash	6,953.18	21	$65.60	52.4	2	799.43	46.6
Single Life with Cash	13,222.48	73	109.98	53.8	4	2,740.50	59.7
100% J & S	9,839.06	19	93.77	53.4	0	0	0.0
75% J & S	15,315.02	3	151.26	61.0	0	0	0.0
50% J & S	9,299.35	8	91.27	51.6	0	0	0.0
Period Certain: 10 Years	13,376.52	26	156.30	56.4	2	9,750.00	55.7
9 Years	12,094.03	3	158.95	55.3	0	0	0.0
8 Years	14,638.71	2	143.11	57.3	1	10,000.00	57.3
7 Years	12,152.16	6	193.98	57.7	0	0	0.0
6 Years	12,725.42	7	231.71	59.3	0	0	0.0
5 Years	13,384.24	29	266.69	56.2	4	3,824.02	54.3
4 Years	11,711.67	6	294.57	57.9	0	0	0.0
3 Years	14,240.85	33	449.67	56.1	3	4,595.15	56.3
Total	7,201.77	236	187.82	55.0	2,951	6,998.83	52.0

continued

Table 5

Defined Benefit Supplement Program

All Members Receiving Disability Benefits

As of June 30, 2010

TOTAL

		Annuity Benefits			Lump Sum Benefits		
Benefit Type	Average Accumulated Credits	Count	Average Monthly Amount	Average Age	Count	Average Amount	Average Age
Lump Sum Only	$7,440.39	N/A	N/A	N/A	3,909	$7,440.39	52.3
Single Life W/O Cash	8,031.39	33	$76.53	54.1	3	1,699.62	50.3
Single Life with Cash	13,510.89	93	112.81	54.3	4	2,740.50	59.7
100% J & S	10,624.07	32	103.28	55.0	0	0	0.0
75% J & S	15,153.86	10	155.67	59.5	0	0	0.0
50% J & S	10,220.33	12	100.99	51.6	0	0	0.0
Period Certain: 10 Years	14,135.71	37	168.53	56.5	2	9,750.00	55.7
9 Years	12,094.03	3	158.95	55.3	0	0	0.0
8 Years	23,752.37	4	311.88	53.5	1	10,000.00	57.3
7 Years	13,650.90	9	217.33	57.2	0	0	0.0
6 Years	11,428.69	10	206.70	57.8	0	0	0.0
5 Years	14,778.55	38	298.29	56.7	4	3,824.02	54.3
4 Years	15,961.04	11	384.82	58.0	1	8,000.00	59.3
3 Years	15,056.82	44	477.63	57.0	4	4,321.37	54.8
Total	7,673.26	336	201.36	55.6	3,928	7,426.33	52.4

Table 6

Defined Benefit Supplement Program

Members Retired for Service During the 2009/10 Fiscal Year[1]
Classified by Age and Joint & Survivor Option Elected
As of June 30, 2010

TOTAL

		Regular Annuity				Period Certain							
Age	Total	Single Life Without Cash	100% Joint and Survivor	75% Joint and Survivor	50% Joint and Survivor	10 years	9 years	8 years	7 years	6 years	5 years	4 years	3 years
Under 55	28	5	7	0	3	4	0	1		1	2	1	4
55	353	127	53	4	12	45	3	4	6	6	53	4	36
56	250	68	38	5	11	29	3	1	6	4	39	5	41
57	348	82	53	5	15	57	6	5	9	5	59	6	46
58	496	112	79	12	26	79	7	3	17	19	72	10	60
59	732	156	108	24	35	114	8	7	12	32	148	15	73
60	1,017	232	152	15	49	161	11	5	11	24	222	21	114
61	1,330	286	222	25	68	224	21	10	13	31	224	56	150
62	985	266	143	16	58	156	8	16	15	9	136	27	135
63	842	253	109	18	38	126	11	4	12	18	123	19	111
64	496	148	65	9	26	89	9	2	7	14	84	7	36
65	475	154	66	11	31	73	1	2	5	3	66	17	46
66	294	79	42	6	19	55	6	1	2	1	49	3	31
67	234	74	25	4	18	35	2	1	1	2	39	7	26
68	160	42	20	3	4	44	2	1	4	3	19	2	16
69	106	36	11	2	3	18	0	2	1	1	21	0	11
70	88	37	10	1	2	16	0	1	1	1	9	0	10
71	55	14	7	2	0	7	1	1	0	1	10	1	11
72	55	16	7	1	3	9	0	0	1	0	10	1	7
73	34	11	3	1	0	8	0	0	0	2	7	0	2
74	29	9	1	0	2	7	1	0	1	0	5	1	2
75 and Over	68	22	6	2	1	4	0	0	0	0	16	0	17
Age Unknown	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	8,475	2,229	1,227	166	424	1,360	100	67	124	177	1,413	203	985

[1] Does not include formerly disabled members

Table 7

Defined Benefit Supplement Program

Retired Members by Type of Benefit and Option Selected

As of June 30, 2010

Monthly Unmodified Allowance

Type of Benefit	Less than $250	$250 – 500	$500 – 750	$750 – 1,000	$1,000 & Greater	Total
Retirement	20,107	6,487	2,102	372	193	29,261
Disability	252	62	18	3	1	336
Survivors	285	105	28	9	4	431
Total	20,644	6,654	2,148	384	198	30,028
Type of Payment Regular Annuity						
Single Life without Cash	1,134	1	0	0	0	1,135
Single Life with Cash	6,995	268	14	2	0	7,279
100% J & S	5,068	251	13	3	1	5,336
75% J & S	502	31	6	0	0	539
50% J & S	1,492	87	10	2	0	1,591
Period Certain Annuity						
10 Year	3,060	1,046	124	16	5	4,251
9 Year	269	107	9	1	2	388
8 Year	170	93	10	2	0	275
7 Year	256	208	16	10	0	490
6 Year	242	307	44	7	4	604
5 Year	1,188	2,841	558	88	43	4,718
4 Year	66	439	154	18	9	686
3 Year	202	975	1,190	235	134	2,736
Total	20,644	6,654	2,148	384	198	30,028

Table 8

Defined Benefit Supplement Program

Active Members with Limited Term Enhancement Contributions
During the 2009/10 Fiscal Year Characterized by Age
As of June 30, 2010

Age	Count	Total LTE Earnings	Average LTE Earnings
<=20	0	$0	$0
21	0	0	0
22	1	3,000	3,000
23	2	3,400	1,700
24	7	13,333	1,905
25	12	16,800	1,400
26	17	33,163	1,951
27	20	35,937	1,797
28	37	49,438	1,336
29	29	40,338	1,391
30	48	80,792	1,683
31	28	48,041	1,716
32	41	62,490	1,524
33	53	77,359	1,460
34	48	83,850	1,747
35	61	97,477	1,598
36	42	98,787	2,352
37	39	55,702	1,428
38	36	65,785	1,827
39	48	67,009	1,396
40	40	65,727	1,643
41	33	53,923	1,634
42	39	62,325	1,598
43	28	45,160	1,613
44	29	40,278	1,389
45	20	38,397	1,920
46	30	41,196	1,373

Population Information

continued

Table 8

Defined Benefit Supplement Program

Active Members with Limited Term Enhancement Contributions
During the 2009/10 Fiscal Year Characterized by Age
As of June 30, 2010

Age	Count	Total LTE Earnings	Average LTE Earnings
47	21	$51,998	$2,476
48	24	31,761	1,323
49	19	18,272	962
50	26	56,880	2,188
51	26	38,913	1,497
52	25	36,065	1,443
53	27	34,115	1,264
54	38	75,974	1,999
55	36	92,516	2,570
56	29	65,322	2,252
57	35	98,239	2,807
58	39	73,609	1,887
59	36	120,946	3,360
60	45	246,444	5,477
61	53	253,422	4,782
62	25	135,207	5,408
63	18	92,983	5,166
64	16	96,532	6,033
65	10	23,576	2,358
66	6	33,317	5,553
67	7	76,539	10,934
68	3	23,886	7,962
69	1	1,000	1,000
70	1	750	750
71	0	0	0
71+	4	8,967	2,242
Unknown	0	0	0
Total	1,358	3,066,940	2,258

Table 9

Defined Benefit Supplement Program

Total Active Members with Limited Term Enhancement Contributions

		Estimated Salary	
Fiscal Year Ending June 30	Member Count	Total Salary	Average Salary
2003	3,787	$3,743,300	$988
2004	2,883	4,269,725	1,481
2005	3,341	3,656,838	1,095
2006	2,714	2,850,164	1,050
2007	1,770	1,965,225	1,110
2008	4,680	7,577,372	1,619
2009	2,921	3,545,599	1,214
2010	1,358	3,066,940	2,258

Table 10

Defined Benefit Supplement Program

Active Members with Excess Service Credit Contributions
During the 2009/10 Fiscal Year Characterized by Age
As of June 30, 2010

Age	Count	Total ESC Earnings	Average ESC Earnings
<=20	19	$93,077	$4,899
21	3	4,045	1,348
22	100	152,887	1,529
23	474	936,648	1,976
24	1,060	2,493,905	2,353
25	1,897	5,161,680	2,721
26	3,037	8,966,357	2,952
27	4,209	13,236,288	3,145
28	5,077	16,830,486	3,315
29	5,672	19,340,952	3,410
30	6,182	22,598,836	3,656
31	6,394	24,230,415	3,790
32	6,594	24,982,797	3,789
33	6,719	26,303,821	3,915
34	6,847	26,982,270	3,941
35	7,492	29,937,933	3,996
36	7,241	29,815,682	4,118
37	7,139	29,590,775	4,145
38	7,208	29,860,513	4,143
39	7,932	33,847,155	4,267
40	7,557	32,536,845	4,306
41	7,091	29,595,032	4,174
42	6,469	28,221,967	4,363
43	6,117	25,906,970	4,235
44	6,019	26,094,367	4,335
45	6,127	26,159,054	4,269
46	6,132	27,520,290	4,488

continued

Table 10

Defined Benefit Supplement Program

Active Members with Excess Service Credit Contributions
During the 2009/10 Fiscal Year Characterized by Age
As of June 30, 2010

Age	Count	Total ESC Earnings	Average ESC Earnings
47	6,414	$29,049,617	$4,529
48	6,364	28,839,305	4,532
49	6,380	27,583,880	4,323
50	6,327	27,420,018	4,334
51	6,374	28,909,426	4,536
52	6,588	29,957,925	4,547
53	6,851	31,871,543	4,652
54	6,915	31,041,814	4,489
55	6,859	31,677,356	4,618
56	6,835	31,181,773	4,562
57	7,090	33,559,783	4,733
58	6,947	31,200,366	4,491
59	6,304	29,341,884	4,654
60	5,563	26,204,215	4,710
61	4,483	22,192,138	4,950
62	3,557	19,532,860	5,491
63	2,973	17,418,604	5,859
64	1,826	10,631,392	5,822
65	1,307	8,336,079	6,378
66	975	6,406,542	6,571
67	770	5,426,238	7,047
68	482	3,431,151	7,119
69	381	3,051,089	8,008
70	239	1,714,549	7,174
71	2	33,875	16,938
71+	669	5,449,247	8,145
Unknown	3	13,291	4,430
Total	246,286	1,062,877,007	4,316

Table 11

Defined Benefit Supplement Program

Total Active Members with Excess Service Credit Contributions

Fiscal Year Ending June 30	Member Count	Estimated Salary Total Salary	 Average Salary
2003	284,370	$1,211,324,813	$4,260
2004	274,903	1,171,207,675	4,260
2005	280,353	1,215,958,075	4,337
2006	282,210	1,282,420,717	4,544
2007	274,977	1,290,473,688	4,693
2008	284,424	1,448,938,144	5,094
2009	272,811	1,432,374,899	5,250
2010	246,286	1,062,877,007	4,316

Table 1

Cash Balance Benefit Program

Participant Statistical Information

As of June 30, 2010

Fiscal Year Ending June 30[1]	Number Of Participants			
	Active[2]	Inactive[2]	Retirees[3] & Beneficiaries	Total
1997	N/A	N/A	0	495
1998	N/A	N/A	0	3,505
1999	N/A	N/A	21	6,433
2000	7,598	1,848	55	9,501
2001	8,412	3,603	102	12,117
2002	9,238	5,284	116	14,638
2003	8,977	7,311	203	16,491
2004	9,114	9,087	294	18,495
2005	9,385	10,534	369	20,288
2006	9,869	12,101	404	22,374
2007	10,579	13,536	411	24,526
2008	11,627	15,037	403	27,067
2009	11,332	17,129	91	28,552
2010	10,378	18,771	471	29,620

Fiscal Year Ending June 30[1]	Total Account Balances			Active Averages		Inactive Averages	
	Participant	Employer	Total	Account Balance	Age	Account Balance	Age
1997	$82,039	$82,039	$164,078	N/A	N/A	N/A	N/A
1998	855,423	872,282	1,727,705	N/A	N/A	N/A	N/A
1999	2,473,015	2,527,598	5,000,613	N/A	N/A	N/A	N/A
2000	5,250,345	5,100,375	10,350,720	N/A	N/A	N/A	N/A
2001	8,513,463	8,425,011	16,938,474	N/A	N/A	N/A	N/A
2002	12,541,528	12,538,528	25,080,056	N/A	N/A	N/A	N/A
2003	16,888,397	16,948,456	33,836,853	$2,903	47.3	$1,064	46.4
2004	20,693,119	21,278,923	41,972,042	3,384	47.9	1,225	46.4
2005	25,446,827	26,281,904	51,728,731	3,867	47.8	1,466	46.8
2006	30,457,035	31,561,452	62,018,487	4,328	47.8	1,596	47.2
2007	36,973,890	38,414,395	75,388,285	4,897	47.6	1,742	47.6
2008	45,227,824	47,104,184	92,332,008	5,486	47.7	1,898	47.9
2009	55,987,817	58,350,386	114,338,203	6,777	48.0	2,192	48.2
2010	63,198,012	65,877,272	129,075,283	8,182	48.8	2,353	48.6

[1] Program established July 1, 1996

[2] Active is defined as a participant with current year contributions and a positive year end balance. Inactive is defined as a participant without current year contributions but with a positive year end balance.

[3] Includes terminated, disabled, and deceased members

N/A = not available

Table 2

Cash Balance Benefit Program

Active Participants by Age Group
As of June 30, 2010

Fiscal Year Ending June 30[1]	Under 25	25 – 30	30 – 35	35 – 40	40 – 45	45 – 50
1997	N/A	N/A	N/A	N/A	N/A	N/A
1998	52	172	328	442	604	662
1999	47	349	654	767	961	1,102
2000	57	372	713	952	1,062	1,307
2001	66	481	816	947	1,044	1,385
2002	122	579	941	1,041	1,192	1,474
2003	97	530	907	1,010	1,197	1,377
2004	106	504	883	995	1,206	1,303
2005	96	608	907	1,070	1,182	1,311
2006	128	696	946	1,150	1,193	1,300
2007	146	764	1,104	1,236	1,283	1,276
2008	137	911	1,222	1,374	1,369	1,445
2009	144	830	1,222	1,302	1,330	1,366
2010	98	663	1,071	1,140	1,234	1,250

Fiscal Year Ending June 30[1]	50 – 55	55 – 60	60 – 65	65 and over	Unknown	Total
1997	N/A	N/A	N/A	N/A	N/A	N/A
1998	555	347	196	147	0	3,505
1999	1,120	673	375	308	56	6,412
2000	1,319	884	510	384	38	7,598
2001	1,393	1,034	605	473	168	8,412
2002	1,429	1,160	641	506	153	9,238
2003	1,406	1,203	662	526	62	8,977
2004	1,388	1,264	768	659	38	9,114
2005	1,388	1,291	821	696	15	9,385
2006	1,404	1,407	875	747	23	9,869
2007	1,460	1,397	1,020	835	58	10,579
2008	1,494	1,520	1,148	996	11	11,627
2009	1,436	1,442	1,160	1,099	1	11,332
2010	1,298	1,386	1,124	1,114	0	10,378

[1] Program established July1, 1996

N/A = not available

Table 3

Cash Balance Benefit Program

Counts by Type of Benefit
As of June 30, 2010

Fiscal Year Ended June 30	Retirement Benefit: Lump Sum Payout: Without Roll-Over	With Roll-Over	Lump Sum Total	Annuity Payout	Average Age at Benefit Start
1999	10	1	11	0	N/A
2000	11	6	17	0	N/A
2001	32	3	35	0	N/A
2002	34	11	45	0	N/A
2003	77	10	87	0	64.1
2004	137	21	158	3	67.7
2005	152	50	202	4	66.4
2006 [1]	139	55	194	5	67.5
2007	105	39	144	5	66.3
2008	86	20	106	7	67.1
2009	27	2	29	12	67.5
2010	131	1	132	17	68.4

Fiscal Year Ended June 30	Termination Benefit: Without Roll-Over	With Roll-Over	Termination Total	Average Age at Benefit Start
1999	7	1	8	N/A
2000	27	5	32	N/A
2001	42	18	60	N/A
2002	48	12	60	N/A
2003	88	13	101	43.5
2004	94	27	121	40.8
2005	101	33	134	41.8
2006 [1]	105	63	168	41.6
2007	160	78	238	45.5
2008	146	78	224	48.4
2009	32	11	43	49.8
2010	219	70	289	49.9

[1] Revised retirement, termination and death benefit counts and dollar amounts in 2007.

N/A = not available

Population Information

continued

Table 3

Cash Balance Benefit Program

Counts by Type of Benefit

As of June 30, 2010

Disability Benefit

Fiscal Year Ended June 30	Lump Sum Payout: Without Roll-Over	Lump Sum Payout: With Roll-Over	Lump Sum Payout: Lump Sum Total	Annuity Payout	Average Age at Benefit Start
1999	0	0	0	0	N/A
2000	0	0	0	0	N/A
2001	0	1	1	0	N/A
2002	0	0	0	0	N/A
2003	1	0	1	0	57.1
2004	0	0	0	0	N/A
2005	0	0	0	0	N/A
2006[1]	2	0	2	0	50.0
2007	2	0	2	0	50.0
2008	0	0	0	0	N/A
2009	0	0	0	0	N/A
2010	0	0	0	0	N/A

Death Benefit

Fiscal Year Ended June 30	Without Roll-Over	With Roll-Over	Death Total	Average Age at Benefit Start
1999	2	0	2	N/A
2000	6	0	6	N/A
2001	6	0	6	N/A
2002	10	1	11	N/A
2003	12	2	14	56.9
2004	10	2	12	66.6
2005	24	3	27	58.8
2006[1]	19	5	24	62.4
2007	16	2	18	60.1
2008	14	3	17	59.8
2009	6	1	7	62.8
2010	32	1	33	64.9

[1] Revised retirement, termination and death benefit counts and dollar amounts in 2007.

N/A = not available

Table 4

Cash Balance Benefit Program

Average Benefit Paid by Type of Benefit
As of June 30, 2010

Fiscal Year Ended June 30	Retirement Benefit			
	Lump Sum Payout			
	Without Roll-Over	With Roll-Over	Lump Sum Total	Annuity Payout
1999	$800	$432	$767	$0
2000	1,331	1,202	1,286	0
2001	1,286	1,621	1,314	0
2002	1,464	2,993	1,838	0
2003	1,245	2,133	1,347	0
2004	1,759	3,556	1,998	134
2005	2,393	3,288	2,614	171
2006 [1]	2,686	5,315	3,431	223
2007	2,939	5,547	3,645	179
2008	5,217	6,492	5,457	258
2009	3,878	29,713	5,660	203
2010	5,699	13,404	7,467	251

Fiscal Year Ended June 30	Termination Benefit		
	Without Roll-Over	With Roll-Over	Termination Total
1999	$652	$412	$622
2000	816	450	759
2001	1,034	997	1,023
2002	1,545	1,261	1,488
2003	1,330	1,090	1,299
2004	1,756	1,170	1,625
2005	1,930	1,562	1,839
2006 [1]	1,822	3,149	2,320
2007	2,620	3,140	2,790
2008	2,819	2,491	2,705
2009	5,683	7,802	6,225
2010	3,540	3,752	3,591

[1] Revised retirement, termination and death benefit counts and dollar amounts in 2007.

continued

Table 4

Cash Balance Benefit Program

Average Benefit Paid by Type of Benefit

As of June 30, 2010

Disability Benefit

Fiscal Year Ended June 30	Lump Sum Payout			
	Without Roll-Over	With Roll-Over	Lump Sum Total	Annuity Payout
1999	$0	$0	$0	$0
2000	0	0	0	0
2001	0	4,529	4,529	0
2002	0	0	0	0
2003	7,450	0	7,450	0
2004	0	0	0	0
2005	0	0	0	0
2006[1]	641	0	641	0
2007	3,138	0	3,138	0
2008	0	0	0	0
2009	0	0	0	0
2010	0	0	0	0

Fiscal Year Ended June 30	Death Benefit		
	Without Roll-Over	With Roll-Over	Death Total
1999	$970	$0	$970
2000	2,025	0	2,025
2001	1,345	0	1,345
2002	2,088	1,948	2,075
2003	2,929	5,211	3,255
2004	2,935	7,755	3,738
2005	3,333	3,612	3,364
2006[1]	3,210	4,626	3,505
2007	2,327	5,416	3,505
2008	4,660	1,125	4,036
2009	12,916	21,285	14,112
2010	7,297	14,232	7,507

[1] Revised retirement, termination and death benefit counts and dollar amounts in 2007.

Table 5

Cash Balance Benefit Program

Total Dollars Paid by Type of Benefit
As of June 30, 2010

Fiscal Year Ended June 30	Retirement Benefit			
	Lump Sum Payout			
	Without Roll-Over	With Roll-Over	Lump Sum Total	Annuity Payout
1999	$8,001	$432	$8,433	$0
2000	14,645	7,214	21,859	0
2001	41,142	4,864	46,006	0
2002	49,767	32,926	82,693	0
2003	95,878	21,335	117,213	0
2004	240,983	74,676	315,659	402
2005	363,668	164,400	528,068	684
2006[1]	373,362	292,324	665,686	1,117
2007	308,576	216,318	524,894	893
2008	448,619	129,837	578,457	1,804
2009	104,707	59,427	164,134	2,432
2010	746,615	522,772	1,269,387	3,012

Fiscal Year Ended June 30	Termination Benefit		
	Without Roll-Over	With Roll-Over	Termination Total
1999	$4,563	$412	$4,976
2000	22,036	2,249	24,285
2001	43,413	17,950	61,363
2002	74,141	15,137	89,278
2003	117,038	14,174	131,212
2004	165,064	31,590	196,654
2005	194,930	51,546	246,476
2006[1]	191,307	198,364	389,671
2007	419,214	244,909	664,123
2008	411,603	194,323	605,926
2009	181,861	85,827	267,688
2010	775,218	262,663	1,037,881

[1] Revised retirement, termination and death benefit counts and dollar amounts in 2007.

continued

Table 5

Cash Balance Benefit Program

Total Dollars Paid by Type of Benefit
As of June 30, 2010

Disability Benefit

Fiscal Year Ended June 30	Lump Sum Payout			
	Without Roll-Over	With Roll-Over	Lump Sum Total	Annuity Payout
1999	$0	$0	$0	$0
2000	0	0	0	0
2001	0	4,529	4,529	0
2002	0	0	0	0
2003	7,450	0	7,450	0
2004	0	0	0	0
2005	0	0	0	0
2006[1]	1,282	0	1,282	0
2007	6,275	0	6,275	0
2008	0	0	0	0
2009	0	0	0	0
2010	0	0	0	0

Death Benefit

Fiscal Year Ended June 30	Without Roll-Over	With Roll-Over	Death Total
1999	$1,939	$0	$1,939
2000	12,149	0	12,149
2001	8,071	0	8,071
2002	20,881	1,948	22,828
2003	35,151	10,422	45,573
2004	29,350	15,510	44,860
2005	79,992	10,836	90,828
2006[1]	60,997	23,131	84,128
2007	37,227	10,833	48,060
2008	65,236	3,374	68,609
2009	77,497	21,285	98,781
2010	233,511	14,232	247,743

[1] Revised retirement, termination and death benefit counts and dollar amounts in 2007.

Table 6

Cash Balance Benefit Program

Members Retired for Service During the 2009/10 Fiscal Year[1]
Classified by Age and Type of Annuity Selected
As of June 30, 2010

		Regular Annuity				Period Certain Annuity							
Age	Total	Participant Only[2]	100% Beneficiary[3]	75% Beneficiary[4]	50% Beneficiary[5]	10 Years	9 Years	8 Years	7 Years	6 Years	5 Years	4 Years	3 Years
Under 55	0	0	0	0	0	0	0	0	0	0	0	0	0
55	1	0	0	0	0	0	0	0	0	1	0	0	0
56	0	0	0	0	0	0	0	0	0	0	0	0	0
57	0	0	0	0	0	0	0	0	0	0	0	0	0
58	0	0	0	0	0	0	0	0	0	0	0	0	0
59	0	0	0	0	0	0	0	0	0	0	0	0	0
60	1	0	0	0	0	0	0	0	0	0	0	0	1
61	0	0	0	0	0	0	0	0	0	0	0	0	0
62	0	0	0	0	0	0	0	0	0	0	0	0	0
63	1	1	0	0	0	0	0	0	0	0	0	0	0
64	2	0	0	0	0	1	0	0	0	0	0	1	0
65	2	1	0	0	0	0	0	0	0	0	0	0	1
66	1	0	0	0	0	0	0	0	0	0	0	0	1
67	0	0	0	0	0	0	0	0	0	0	0	0	0
68	1	0	0	0	0	0	0	0	1	0	0	0	0
69	3	1	0	0	0	0	0	0	0	0	0	0	2
70	0	0	0	0	0	0	0	0	0	0	0	0	0
71	1	1	0	0	0	0	0	0	0	0	0	0	0
72	0	0	0	0	0	0	0	0	0	0	0	0	0
73	0	0	0	0	0	0	0	0	0	0	0	0	0
74	1	1	0	0	0	0	0	0	0	0	0	0	0
75	0	0	0	0	0	0	0	0	0	0	0	0	0
Over 75	3	0	0	0	0	0	0	0	0	0	2	0	1
Total	17	5	0	0	0	1	0	0	1	1	2	1	6

[1] Does not include formerly disabled members

[2] Formerly known as the Single Life Annuity with Cash Refund

[3] Formerly known as the 100 percent Joint and Survivor Annuity

[4] New option available for selection effective January 1, 2007

[5] Formerly known as the 50 percent Joint and Survivor Annuity

Table 7

Cash Balance Benefit Program

All Participants Receiving an Annuity during the 2009/10 Fiscal Year
Characterized by Type of Benefit and Type of Annuity Selected
As of June 30, 2010

Monthly Unmodified Allowance

Type of Benefit	Less than $250	$250 – 500	$500 – 750	$750 – 1,000	$1,000 & Greater	Total
Retirement	32	10	2	1	0	45
Disability	0	0	0	0	0	0
Survivors	0	0	0	0	0	0
Total	32	10	2	1	0	45
Type of Payment Regular Annuity						
Single Life without Cash	2	0	0	0	0	2
Participant Only	13	0	0	0	0	13
100% Beneficiary Annuity	3	0	0	0	0	3
75% Beneficiary Annuity	0	0	0	0	0	0
50% Beneficiary Annuity	1	0	0	0	0	1
Period Certain Annuity						
10 Year	4	1	0	0	0	5
9 Year	1	0	0	0	0	1
8 Year	0	0	0	0	0	0
7 Year	1	1	0	0	0	2
6 Year	0	1	0	0	0	1
5 Year	3	3	0	0	0	6
4 Year	0	0	1	0	0	1
3 Year	4	4	1	1	0	10
Total	32	10	2	1	0	45

Table 8

Cash Balance Benefit Program

Active Participants with Contributions
During the 2009/10 Fiscal Year Characterized by Age
As of June 30, 2010

Age	Count	Total Earnings	Avg Earnings
<=20	0	$0	$0
21	2	13,893	6,947
22	7	39,268	5,610
23	30	203,619	6,787
24	59	390,266	6,615
25	70	522,323	7,462
26	102	1,017,232	9,973
27	140	1,867,173	13,337
28	161	2,201,281	13,673
29	190	2,727,222	14,354
30	193	2,923,247	15,146
31	204	3,265,255	16,006
32	223	3,398,700	15,241
33	237	3,978,518	16,787
34	214	3,202,390	14,964
35	224	3,756,653	16,771
36	201	3,002,287	14,937
37	219	3,216,279	14,686
38	218	3,242,297	14,873
39	278	4,379,473	15,753
40	255	3,966,424	15,555
41	255	4,121,494	16,163
42	230	3,789,412	16,476
43	256	4,301,942	16,804
44	238	3,876,434	16,288
45	245	3,860,510	15,757
46	262	4,258,258	16,253

continued

Table 8

Cash Balance Benefit Program

Active Participants with Contributions
During the 2009/10 Fiscal Year Characterized by Age
As of June 30, 2010

Age	Count	Total Earnings	Avg Earnings
47	260	$4,192,471	$16,125
48	230	3,712,567	16,142
49	253	3,814,629	15,078
50	248	3,883,614	15,660
51	257	4,105,159	15,973
52	258	4,247,134	16,462
53	283	4,661,452	16,472
54	252	3,710,677	14,725
55	274	4,212,435	15,374
56	275	4,029,259	14,652
57	300	4,981,093	16,604
58	279	4,158,512	14,905
59	258	4,462,992	17,298
60	217	3,490,351	16,085
61	236	4,450,136	18,857
62	235	4,211,154	17,920
63	278	4,673,014	16,809
64	158	2,725,072	17,247
65	141	2,448,249	17,363
66	150	2,324,901	15,499
67	135	2,283,715	16,916
68	128	2,139,613	16,716
69	100	1,631,420	16,314
70	78	1,208,538	15,494
71	0	0	0
71+	382	5,968,116	15,623
Unknown	0	0	0
Total	10,378	163,248,119	15,730

Table 9

Cash Balance Benefit Program

Active Participants with Contributions

Fiscal Year Ending June 30	Count	Estimated Salary: Total Salary	Average Salary
1998	3,505	$18,842,242	$5,376
1999	6,412	38,095,483	5,941
2000	7,598	59,033,373	7,770
2001	8,412	70,522,487	8,384
2002	9,238	89,627,192	9,702
2003	8,977	91,033,498	10,141
2004	9,114	96,769,873	10,618
2005	9,385	107,566,468	11,462
2006	9,869	122,986,546	12,462
2007	10,579	145,219,384	13,727
2008	11,627	181,961,624	15,650
2009	11,332	182,871,332	16,138
2010	10,378	163,248,119	15,730

Table 1
Medicare Premium Payment Program

On July 1, 2001, the CalSTRS Medicare Premium Payment Program began paying Medicare Part A premiums and Medicare Part B surcharges for eligible retired members.

Retired Members Enrolled in Program

Fiscal Year Ending June 30	Total Number Paying Part A Premiums	Total Amount of Part A Premiums (in thousands)	Total Number Paying Part B Surcharges	Total Amount of Part B Surcharges	Total (in thousands)
2002	5,212	$20,735	1,620	$800,506	$21,536
2003	5,683	21,249	1,568	776,741	22,026
2004	5,884	24,999	1,517	790,879	25,789
2005	6,017	26,596	1,437	828,374	27,424
2006	6,087	28,071	1,357	919,797	28,991
2007	6,266	30,601	1,306	917,698	31,519
2008	6,290	31,700	1,235	900,788	32,601
2009	6,427	28,527	1,168	846,110	29,373
2010	6,482	34,467	1,105	851,342	35,318

Member Summary

	CalSTRS Paying Medicare Part A			CalSTRS Deducting Medicare Part B		
Fiscal Year Ending June 30	# of Members	Mean Age	Oldest	# of Members	Mean Age	Oldest
2002	5,212	74	100	9,963	72	111
2003	5,683	74	100	11,008	72	112
2004	5,884	74	101	12,046	72	103
2005	6,017	75	102	13,018	73	104
2006	6,087	75	102	14,159	73	105
2007	6,266	74	102	15,831	72	107
2008	6,290	75	102	16,292	73	107
2009	6,427	75	103	17,465	72	108
2010	6,482	75	103	18,566	73	108

Table 2

CalSTRS Home Loan Program

Total Members Participating
As of June 30, 2010

Fiscal Year Ending June 30	Amount Originated (in thousands)	Number of Loans Funded
1987	$180,276	1,844
1988	$169,723	1,511
1989	$184,396	1,830
1990	$395,467	3,015
1991	$477,016	3,774
1992	$456,963	3,647
1993	$310,607	3,350
1994	$95,068	788
1995	$18,258	142
1996	$18,913	153
1997	$25,735	126
1998	$50,856	362
1999	$40,492	280
2000	$53,809	427
2001	$357,087	2,915
2002	$528,042	4,125
2003	$444,750	2,915
2004	$243,431	1,311
2005	$62,434	298
2006	$60,709	279
2007	$49,818	234
2008	$136,384	702
2009	$514,620	3,004
2010	$757,329	4,551

Table 3

Pension2®

Participant and Asset Information

As of June 30, 2010

Fiscal Year Ending June 30	Total Participants	Total Assets (in thousands)
1996	660	$16,037
1997	1,010	$19,386
1998	1,498	$25,309
1999	1,700	$35,973
2000	2,300	$50,423
2001	2,655	$57,229
2002	2,981	$62,067
2003	3,193	$74,610
2004	3,388	$94,469
2005	3,519	$111,776
2006	3,629	$132,071
2007	3,872	$168,737
2008	4,758	$171,104
2009	5,632	$179,136
2010	6,320	$235,808

Table 4

Restoration of Allowance Purchasing Power

Through Supplemental Payments
As of June 30, 2010

Fiscal Year Ending June 30	Purchasing Power Achieved after Payment	No. of Members Receiving Payments	Total Paid for Fiscal Year (in thousands)	Average Monthly Payment
1984	58.4%	35,654	$21,394	$50.00
1985	62.4%	57,189	$54,307	$79.13
1986	65.5%	56,811	$85,675	$125.67
1987	68.2%	57,343	$122,275	$177.69
1988	68.2%	59,092	$128,231	$180.83
1989	68.2%	58,037	$143,061	$205.42
1990	68.2%	55,971	$158,274	$235.65
1991	68.2%	52,199	$168,923	$269.68
1992	68.2%	48,650	$178,058	$305.00
1993	68.2%	54,029	$184,551	$284.65
1994	68.2%	49,113	$178,887	$303.53
1995	68.2%	46,459	$168,360	$301.99
1996	68.2%	41,703	$168,517	$336.74
1997	68.2%	38,939	$159,787	$341.96
1998	75.0%	44,887	$179,308	$332.89
1999	75.0%	42,624	$197,860	$386.83
2000	75.0%	41,048	$190,478	$386.70
2001	75.0%	44,699	$189,388	$353.08
2002	80.0%	60,428	$256,976	$354.38
2003	80.0%	58,591	$233,815	$332.55
2004	80.0%	55,779	$223,501	$333.91
2005	80.0%	57,079	$221,271	$323.05
2006	80.0%	54,360	$215,258	$329.99
2007	80.0%	56,002	$230,337	$342.75
2008	80.0%	53,122	$229,860	$360.59
2009	85.0%	89,142	$348,105	$325.42
2010*	85.0%	63,949	$280,134	$365.05

* Current year estimated

Table 5

Regular Interest Rate

As of June 30, 2010

Fiscal Year Ending June 30	Regular Interest Rate
1997	7.50%
1998	6.50
1999	6.75
2000	6.50
2001	6.25
2002	7.25
2003	6.00
2004	6.00
2005	4.50
2006	4.25
2007	4.50
2008	5.00
2009	5.25
2010	4.75

Index

Index

Overview 2011

Also See Glossary, beginning on p. 191

Index

Index

CALSTRS®

HOW WILL YOU SPEND YOUR FUTURE?

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
P.O. BOX 15275
Sacramento, CA 95851-0275
800-228-5453
CalSTRS.com

COM 1650 REV 2/11