

Minimum Interest Rate - Cash Balance Benefit Program

SUBJECT

Adoption of the Minimum Interest Rate for the Cash Balance Benefit Program for fiscal year 2024-25.

SUMMARY

The “Minimum Interest Rate”, as defined by Section 26131 and applied by Section 26604 of the Education Code, with respect to the Cash Balance Benefit Program “... means the annual rate determined for the plan year by the board by means of an amendment to the plan...” This rate is used to credit interest to employee and employer account balances.

As per board policy, the Minimum Interest Rate for the Cash Balance Benefit Program is based on the average rate for 30-year U.S. Treasury bonds during the 12-month period ending in the February immediately preceding the plan year, rounded to the next highest basis point.

The average interest rate paid on 30-year U.S. Treasury bonds during the period March 1, 2023 through February 29, 2024 was 4.185%. It results in a rate of 4.19% when rounded up to the next highest basis point. This is higher than the rate of 3.35% adopted for the 2023-24 fiscal year. This rate represents the Minimum Interest Rate that will be credited to a participant’s account. If the actual investment return is higher, the board may declare an additional earnings credit to increase the interest earnings provided to a participant.

RECOMMENDATION

Staff recommends the board adopt the Minimum Interest Rate of 4.19% for the 2024-25 fiscal year for employee and employer account balances in the Cash Balance Benefit Program.

RESOLUTION
OF THE
TEACHERS' RETIREMENT BOARD

SUBJECT: Adoption of the Minimum Interest Rate for the Cash Balance Benefit Program for the 2024-25 Fiscal Year

RESOLUTION NO. XX-XX

WHEREAS, Section 26131 of the Education Code specifies that the “Minimum Interest Rate” means the annual rate determined for the plan year by the board by means of an amendment to the plan with respect to the Cash Balance Benefit Program; and

WHEREAS, Section 26604 of the Education Code delegates to the Teachers' Retirement Board the authority to declare each year, the Minimum Interest Rate to be used to credit employee and employer account balances for the plan year for the Cash Balance Benefit Program; and

WHEREAS, the Teachers' Retirement Board adopted a policy to calculate the Minimum Interest Rate as the average interest rate on 30-year U.S. Treasury bonds for the 12 months ending in the February immediately preceding the applicable plan year, rounded up to the next highest basis point; and

WHEREAS, the average rate for 30-year U.S. Treasury bonds during the 12-month period ending February 29, 2024 was 4.185%, resulting in a rate of 4.19% when rounded up to the next highest basis point; therefore, be it

RESOLVED that the Teachers' Retirement Board adopts the Minimum Interest Rate of 4.19% for the Cash Balance Benefit Program for the 2024-25 fiscal year.

Adopted by:
Teachers' Retirement Board
On May 2, 2024

Cassandra Lichnock
Chief Executive Officer

Reviewed by:

Brian J. Bartow
General Counsel