



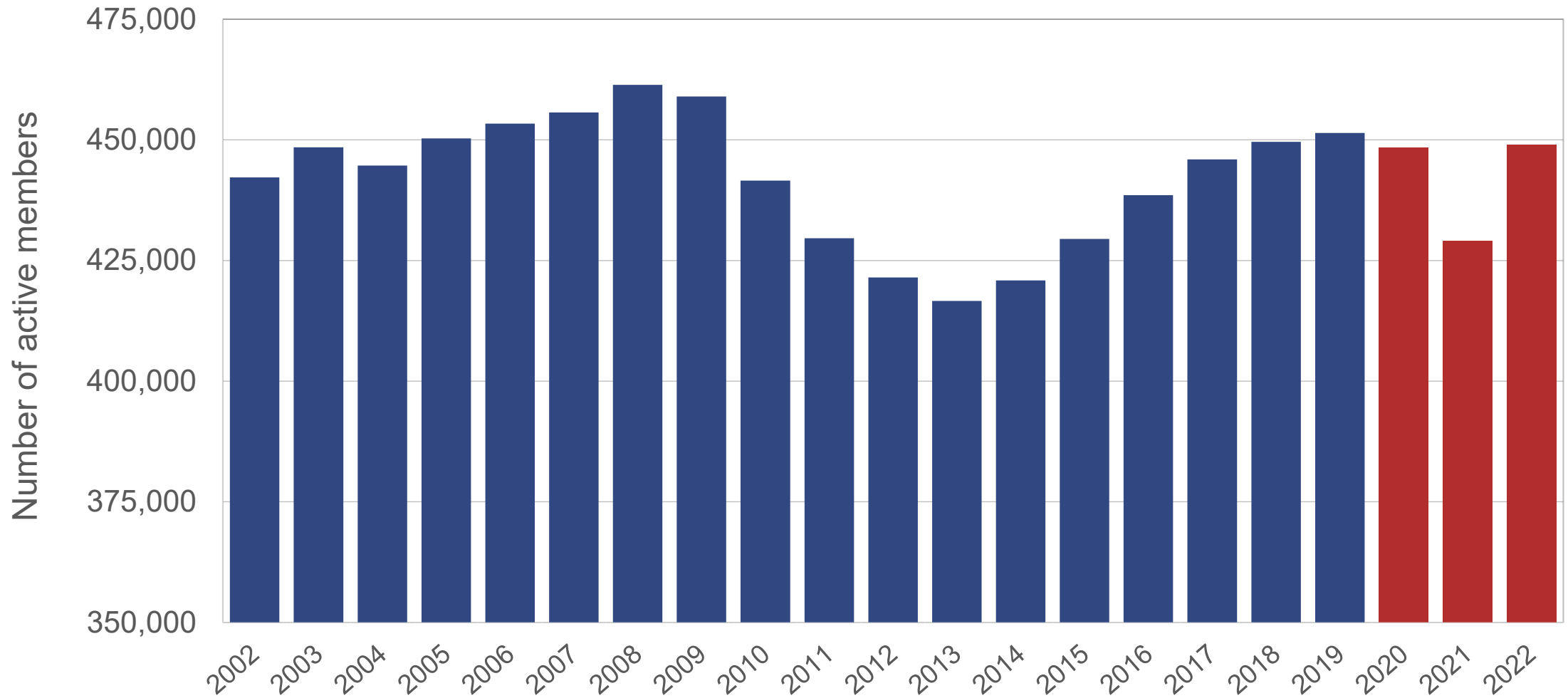
CALSTRS[®]

2022 Review of Funding Levels and Risks

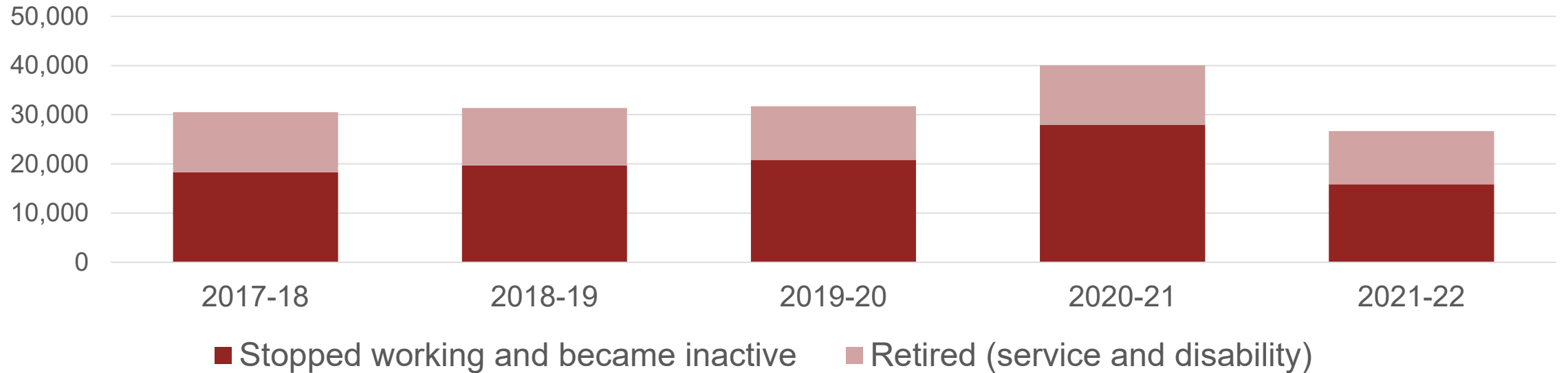
November 2022 Board Meeting

Number of active members

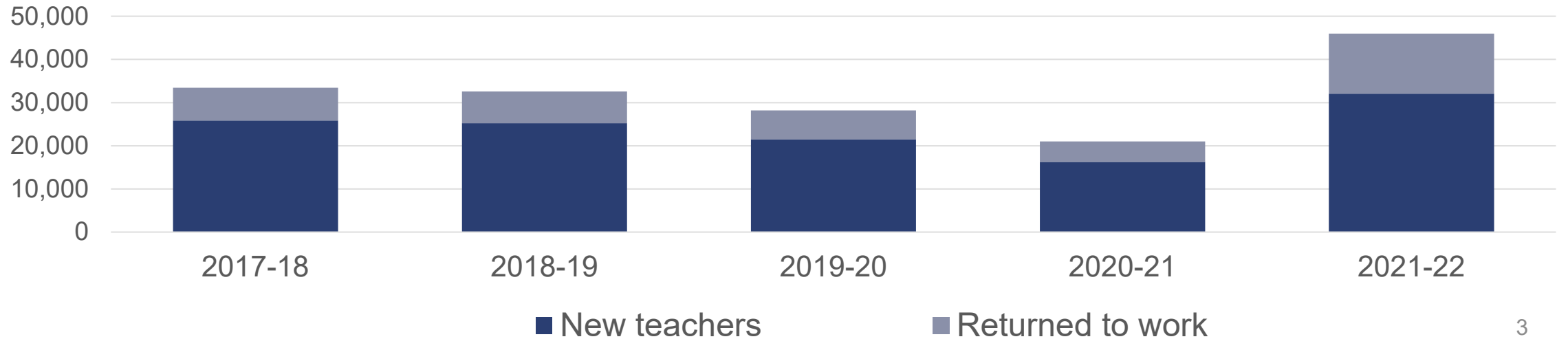
(Last 20 years – Defined Benefit Program only)



CalSTRS teachers leaving the workforce

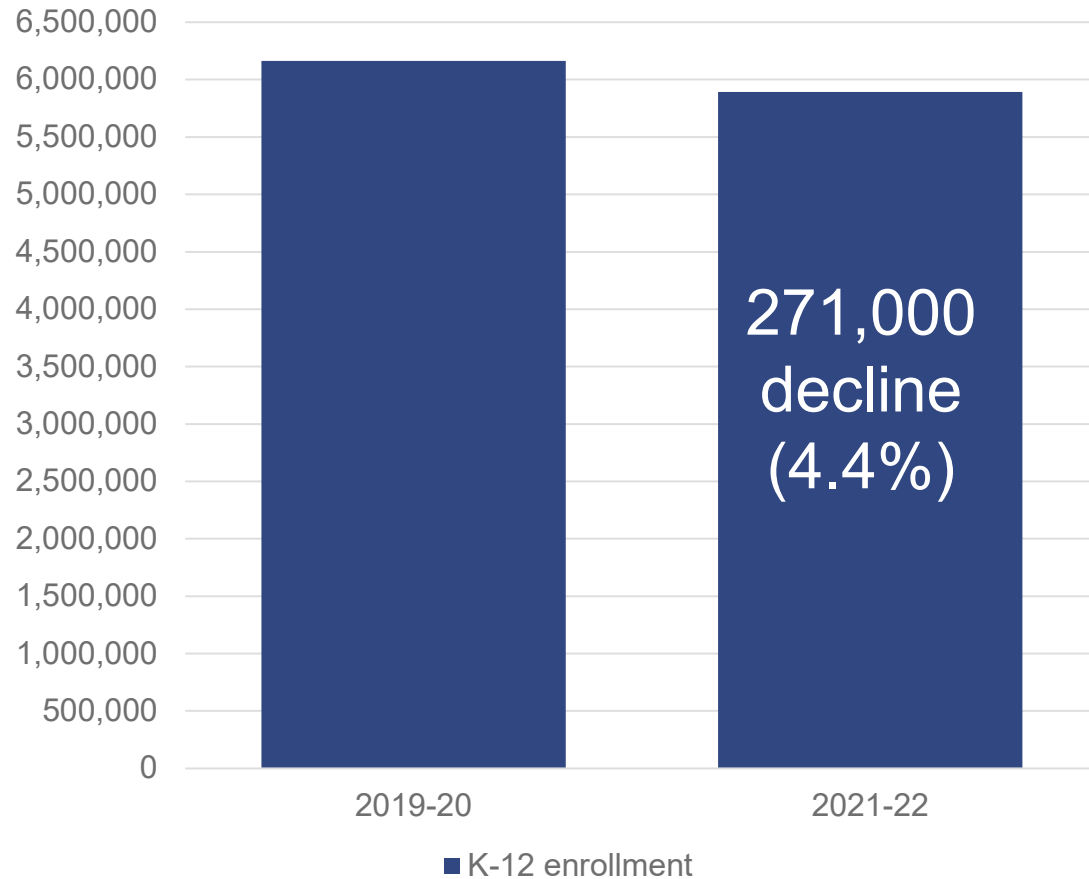


CalSTRS teachers becoming active members

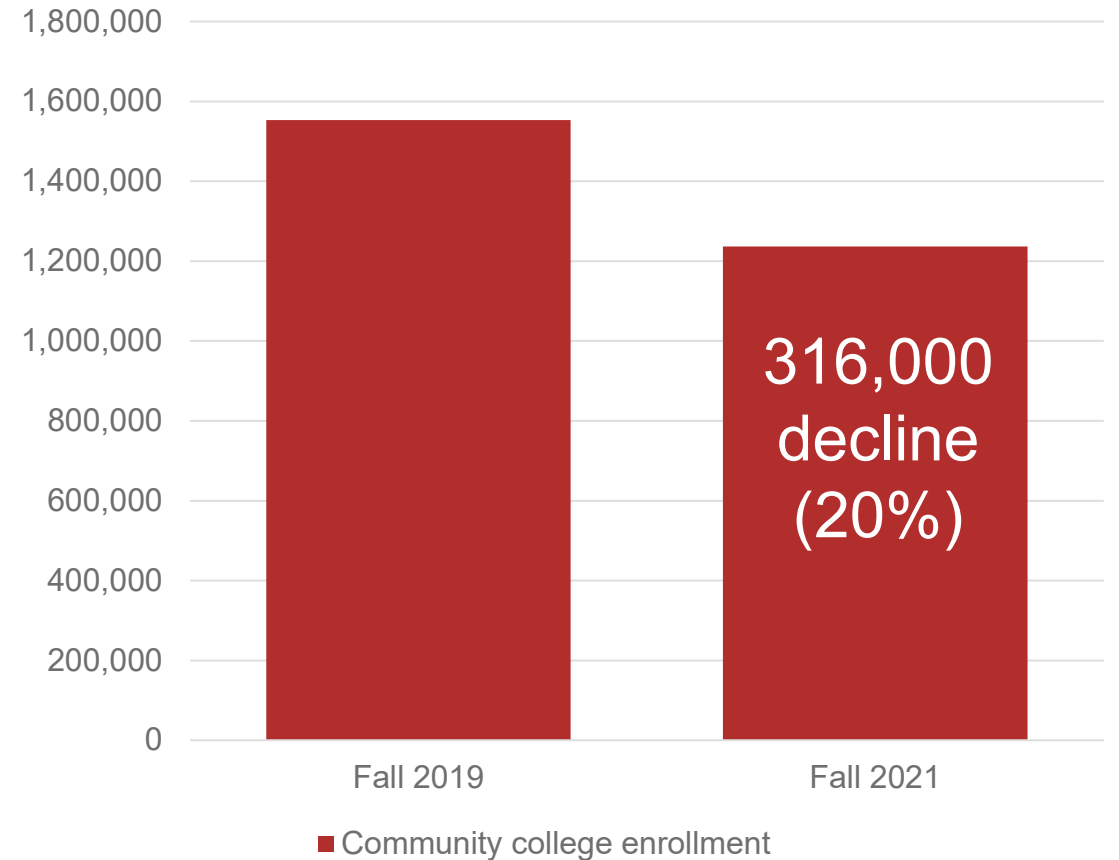


Enrollment decline since the COVID-19 pandemic

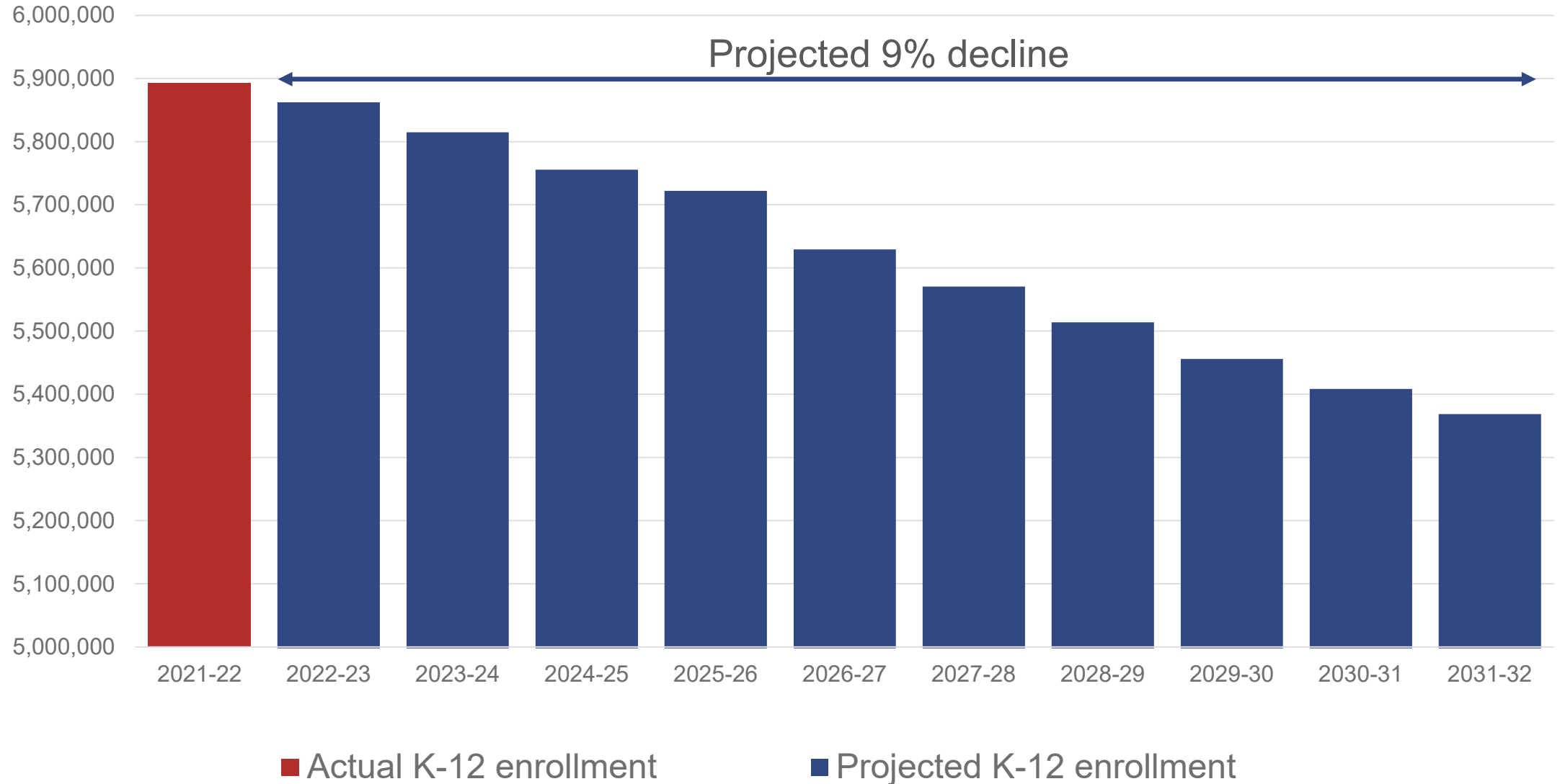
K-12



Community Colleges

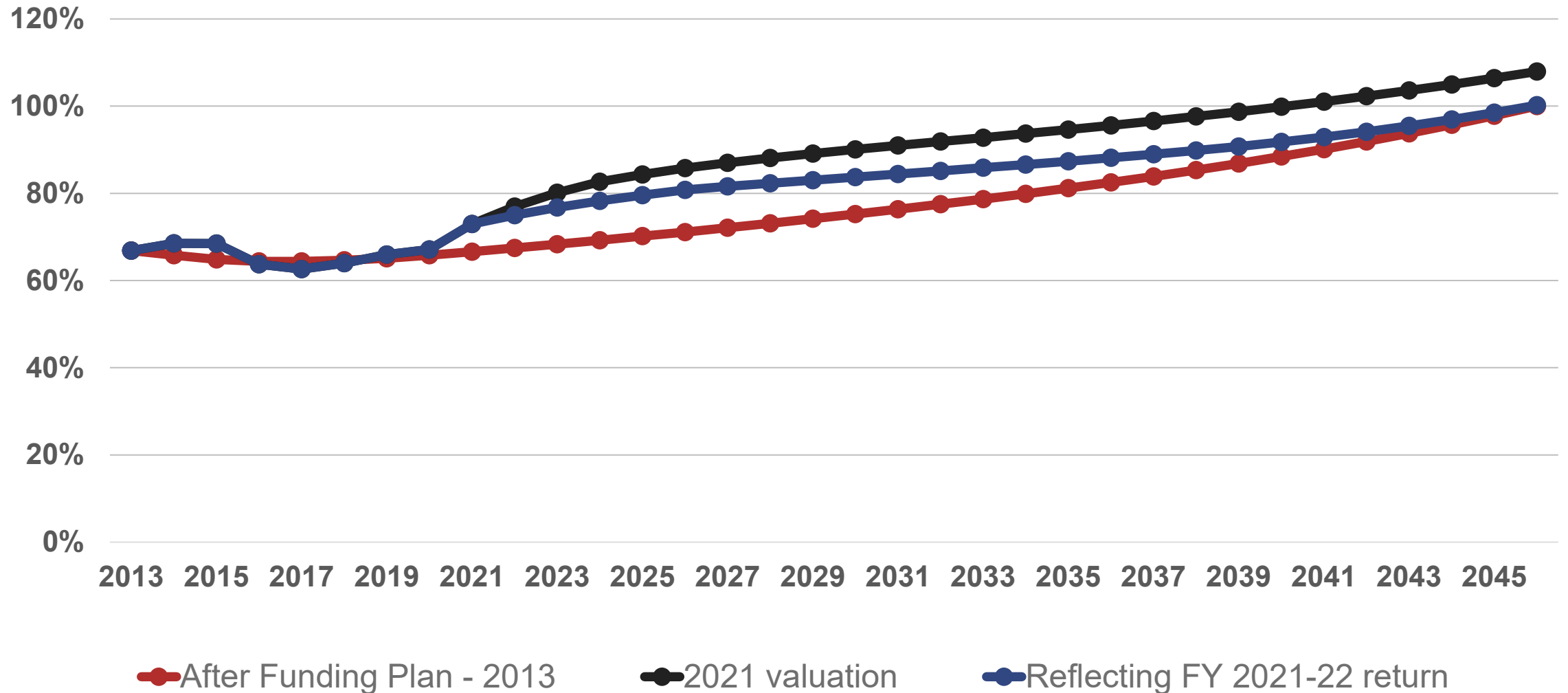


Projected K-12 enrollment



Projected funded status

(Assumes 7% investment return each year into the future and 3.5% payroll growth)



Projected contribution rates

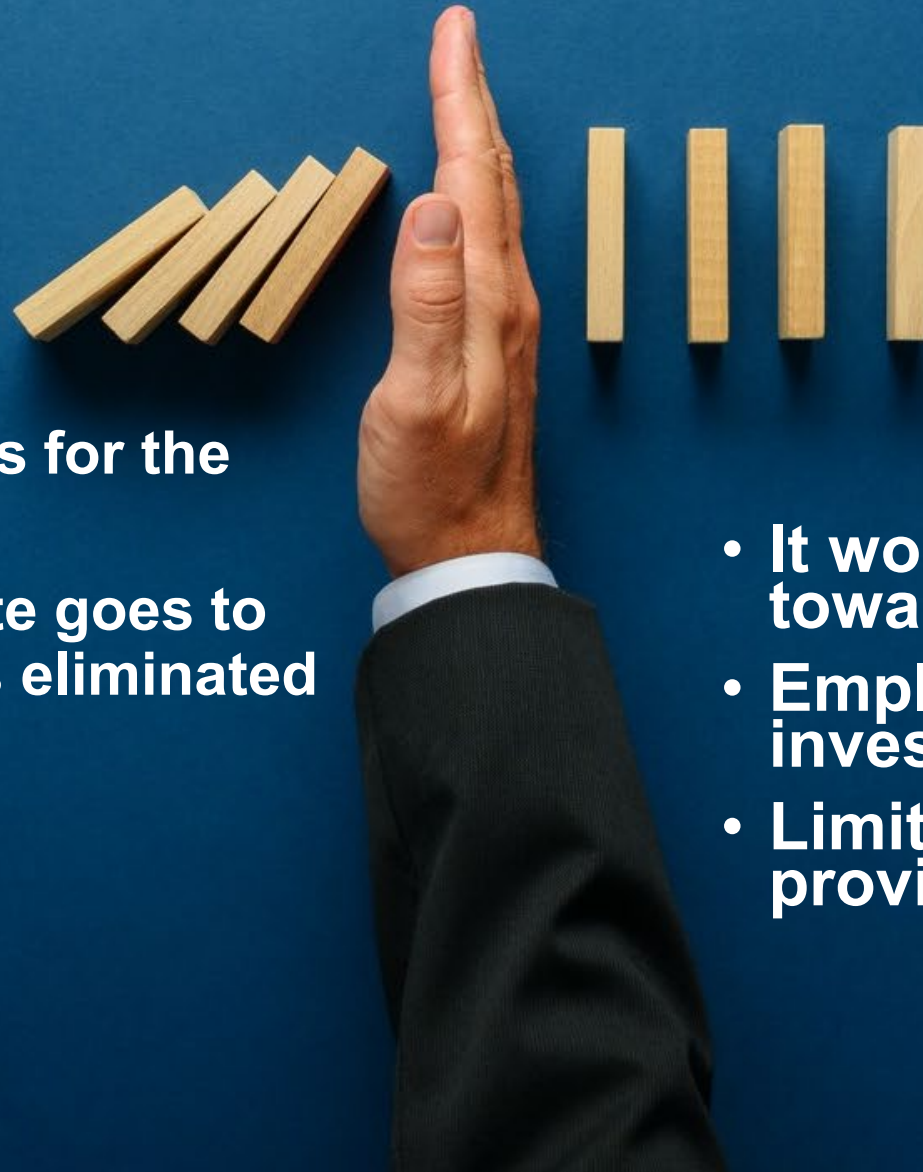
(Reflecting 2021-22 investment loss and assuming 7% investment return for future years)

	Current contribution rate	Rate increase needed for FY 2023-24?	Year share is projected to be eliminated if rate remains unchanged
State	8.328%	No	2028
Employers	19.10%	No	2046

CalSTRS Funding Plan

What concerns us

- 0.5% limit for increases for the state rate
- State supplemental rate goes to 0% once state share is eliminated
- Cannot address the “unallocated” portion
- Goes away in 2046

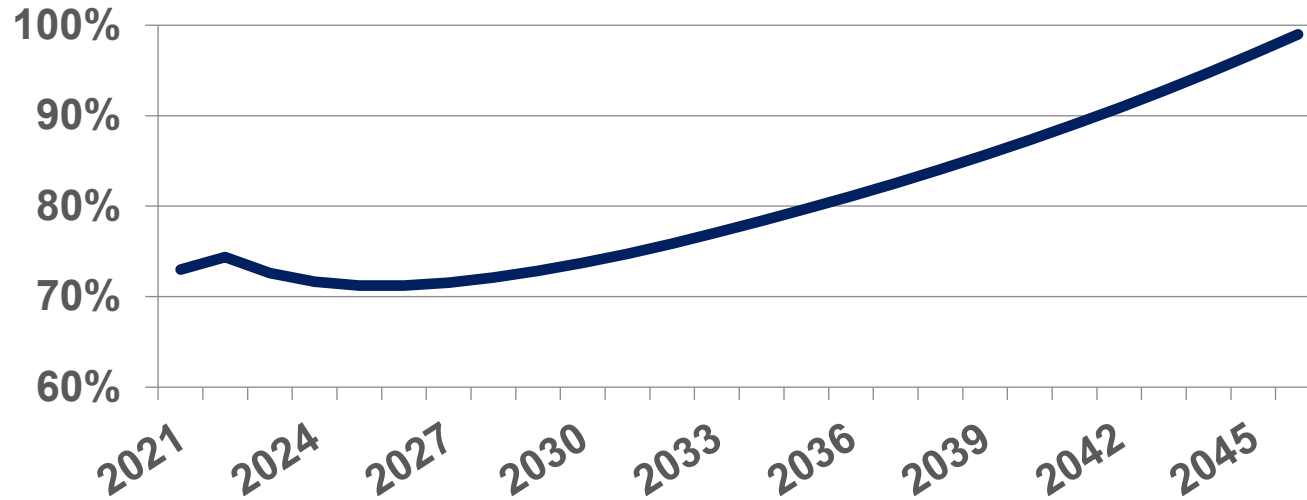


What we like!

- It works! Making progress toward full funding
- Employer rate not sensitive to investment volatility
- Limits on rate increases provide budget predictability

Projected funded status and contributions rates

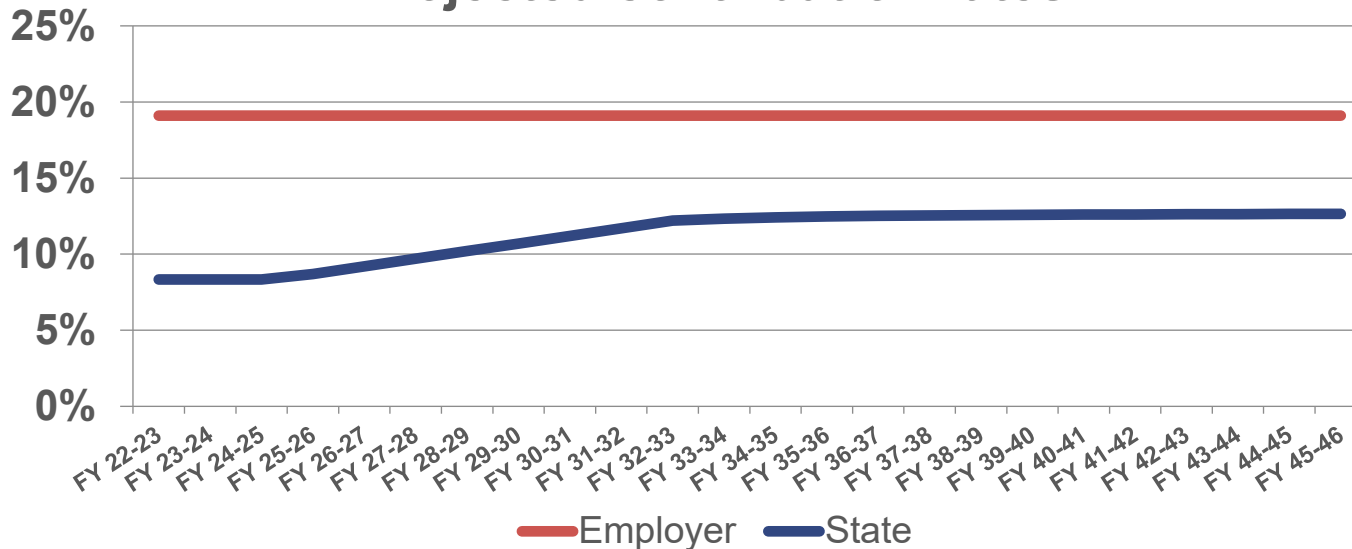
Projected funded status



Scenario #1
 -5% return in FY 22-23
 7% all other years

Funded status in 2046: 99.0%

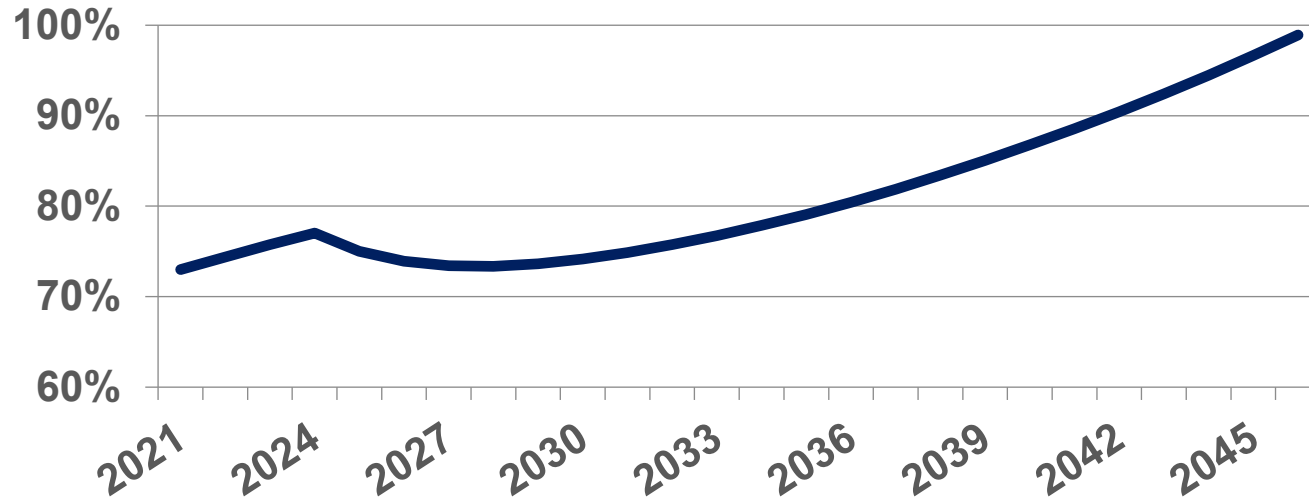
Projected contribution rates



Unfunded actuarial obligation	Eliminated by 2046
Employers' share	YES
State's share	YES
Unallocated	NO (\$7.9 billion in 2046)

Projected funded status and contributions rates

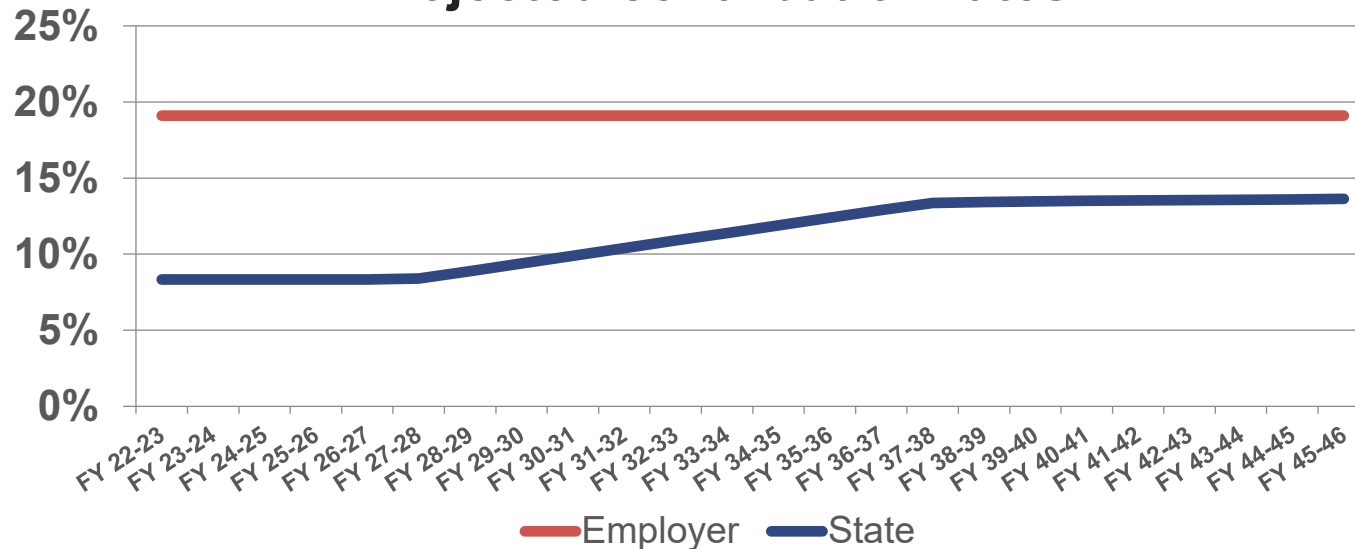
Projected funded status



Scenario #2
 -5% return in FY 24-25
 7% all other years

Funded status in 2046: 98.9%

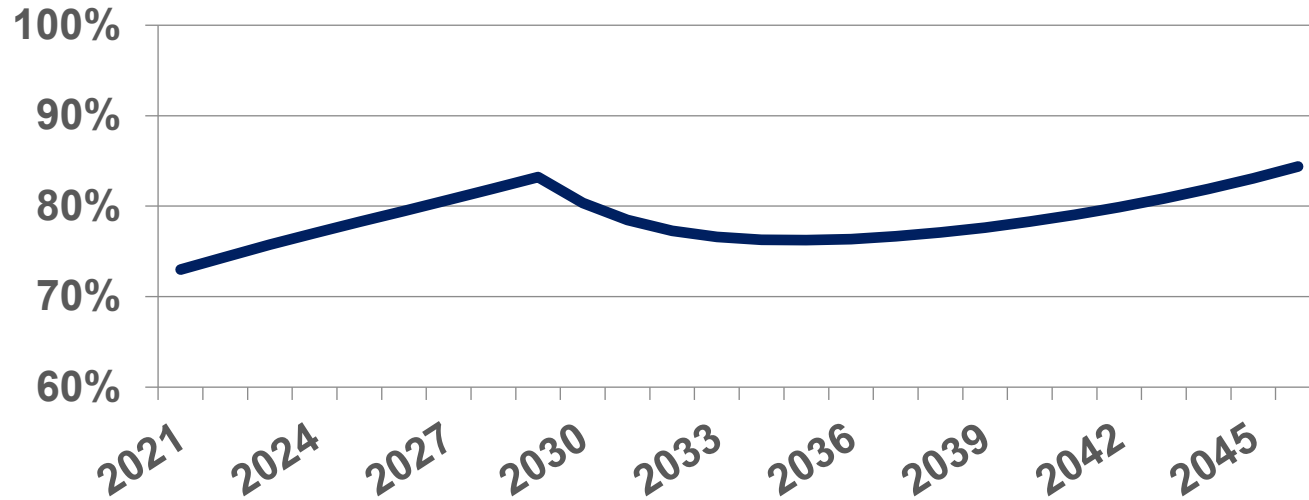
Projected contribution rates



Unfunded actuarial obligation	Eliminated by 2046
Employers' share	YES
State's share	YES
Unallocated	NO (\$8.5 billion in 2046)

Projected funded status and contributions rates

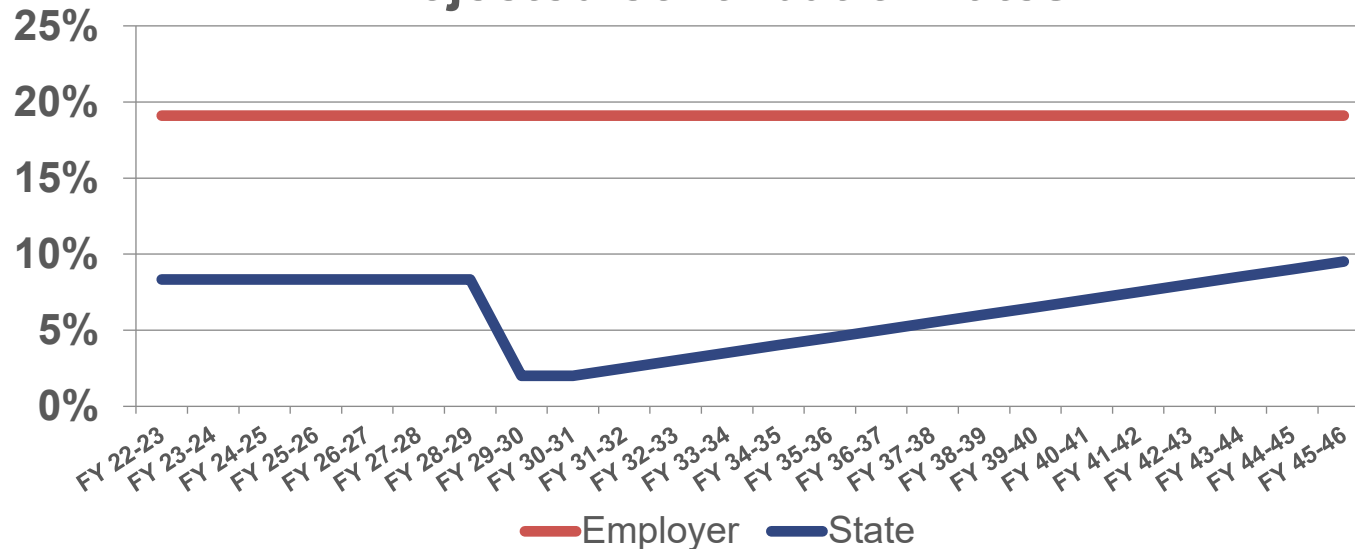
Projected funded status



Scenario #3
 -5% return in FY 29-30
 7% all other years

Funded status in 2046: 84.4%

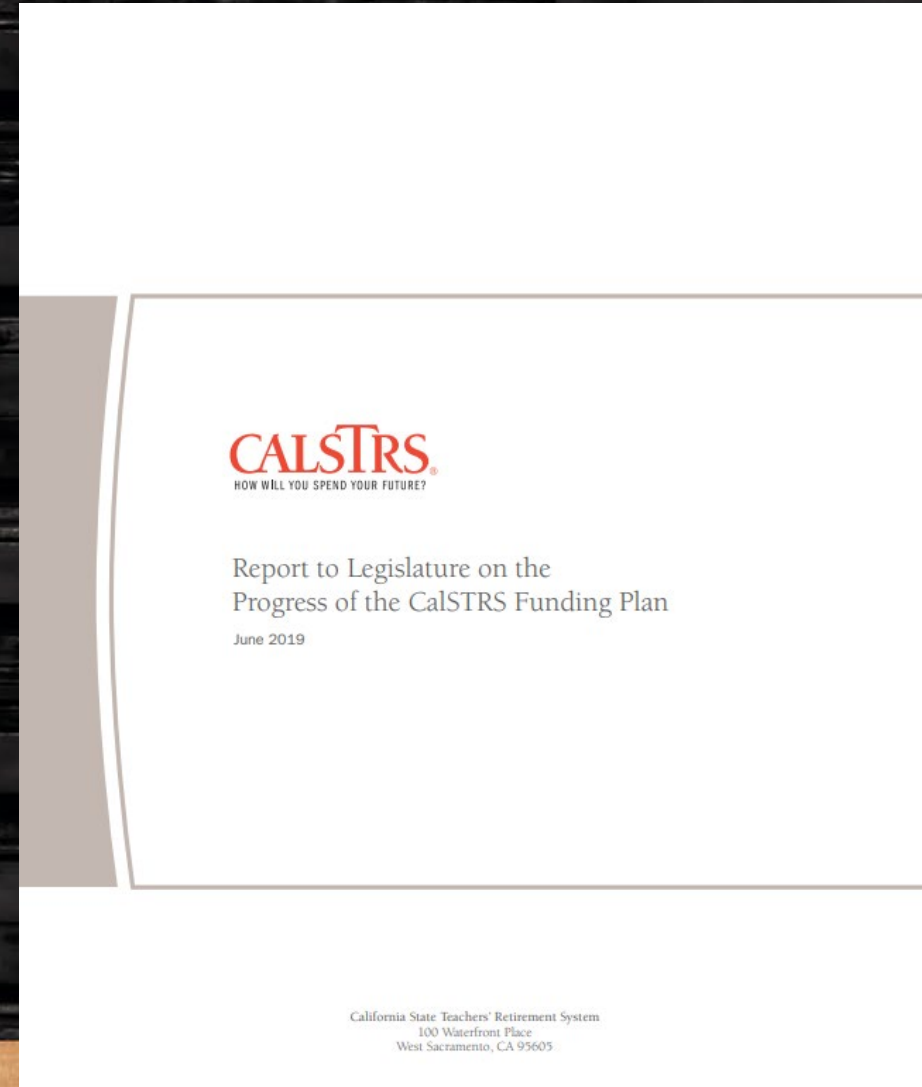
Projected contribution rates



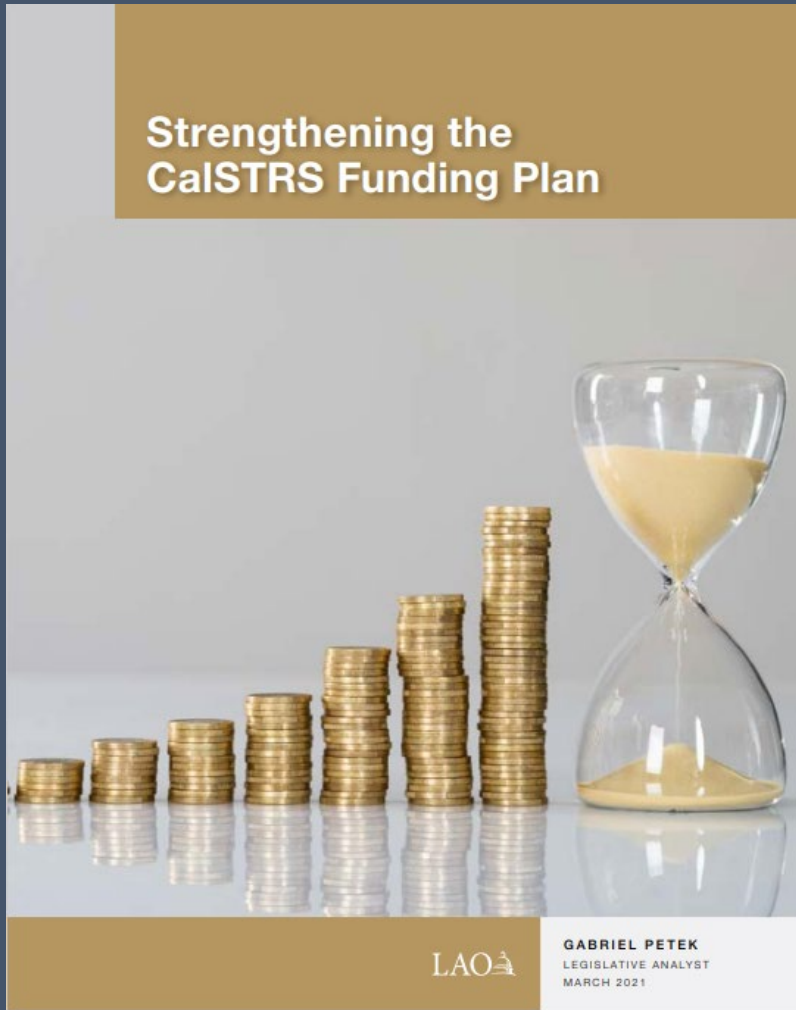
Unfunded actuarial obligation	Eliminated by 2046
Employers' share	YES
State's share	NO (\$112 billion in 2046)
Unallocated	NO (\$9.3 billion in 2046)

June 2024

5-year check point with the California Legislature



California Legislative Analyst's Office



“CalSTRS Funding Plan Marks State Accomplishment... ..But Certain Aspects of the Plan May Impede Its Success.”

Published a report in March 2021 to provide considerations for the California Legislature to strengthen the CalSTRS Funding Plan.

Questions?