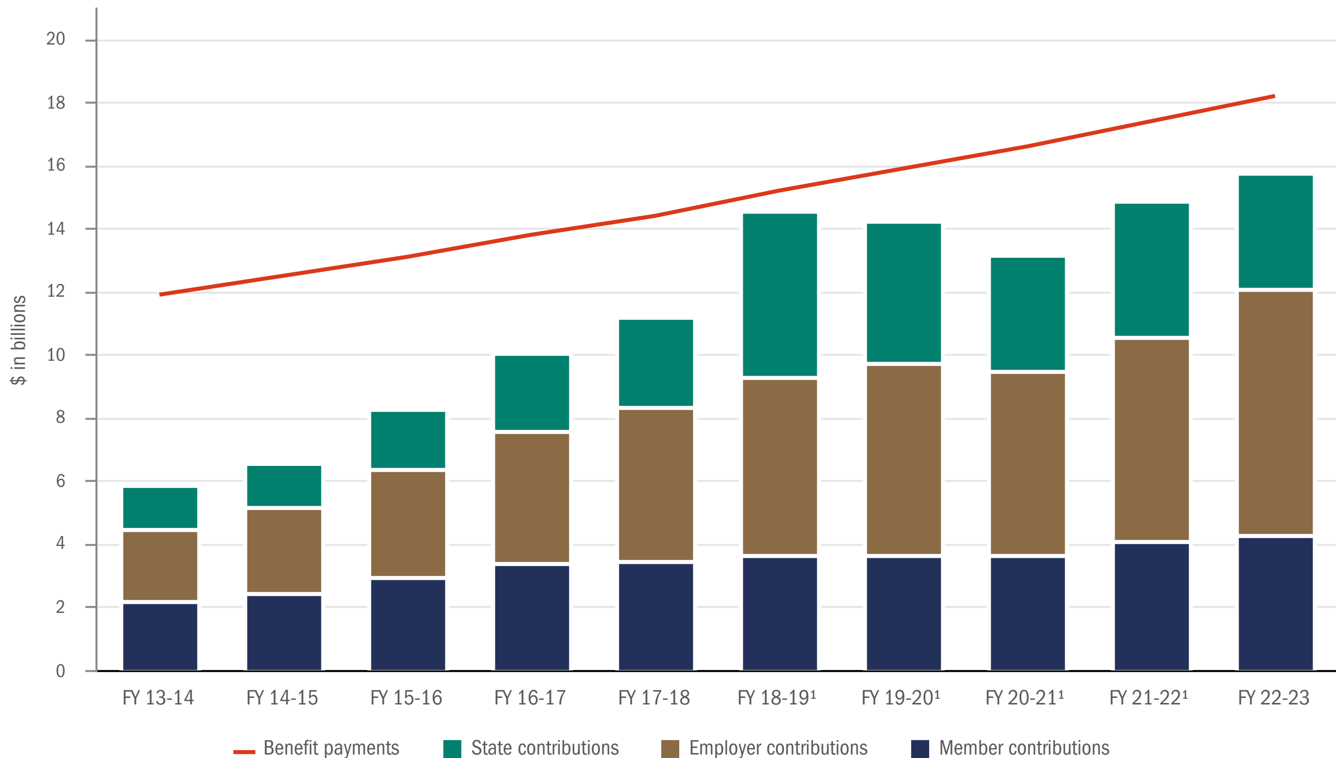
As seen in the previous chart, annual contributions generally fall short of annual benefit payments; however, it is normal for a mature pension plan to have benefit payments exceed contributions coming into the system. Additionally, investment income and the associated cash generated on our investments have historically been sufficient to cover the gap between contributions and benefit payments. Over the last 30 years, investment returns have funded approximately 61.4% of retirement benefits with the remainder coming from a combination of member, employer and state contributions.

The following chart compares STRP contributions to benefit payments for the last decade.



Note: Each data set shown by fiscal year in the chart above is presented in the order of state contributions on top, employer contributions in the middle and member contributions on the bottom.

[1] CalSTRS recognized one-time, supplemental contribution payments from the state of approximately $583.7 million, $297.0 million, $1.1 billion and $2.2 billion in fiscal years 2021–22, 2020–21, 2019–20 and 2018–19, respectively.

As shown in the chart above, the gap began to decrease as a result of increased contribution rates beginning in fiscal year 2014-15 and was significantly reduced when the state made supplemental contribution payments of approximately $2.2 billion and $1.1 billion in fiscal years 2018–19 and 2019–20, respectively. However, those supplemental payments were one-time, nonrecurring contributions. Going forward, the gap between contributions and benefit payments is expected to increase in perpetuity in line with a maturing pension plan.

As a pension plan matures, having negative cash flows is expected and does not necessarily imply the system will have to sell assets to make benefit payments. Through the end of the CalSTRS Funding Plan, cash generated from investment income (such as dividends, coupons on bonds and rental income on real estate holdings) would need to be at least 2.5% of total assets to avoid having to sell assets to pay benefits. Enough cash is currently generated from investment income to cover this gap and has averaged 2.7% over the last 30 years.