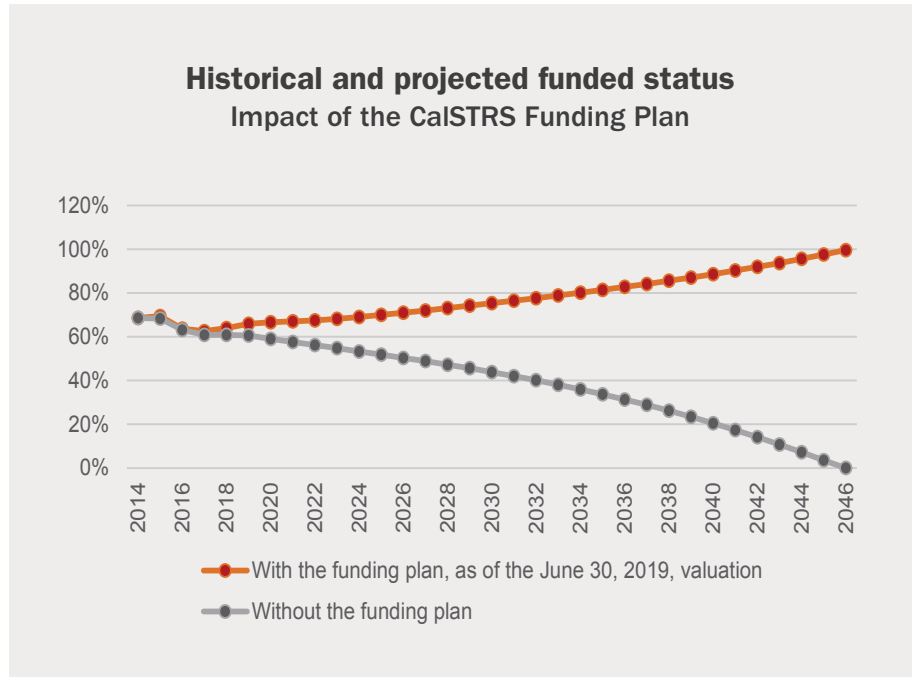


## CalSTRS Funding Plan

The CalSTRS Funding Plan enacted by Chapter 47, Statutes of 2014 (Assembly Bill 1469–Bonta), puts the CalSTRS Defined Benefit Program on the path to full funding by June 30, 2046, through incremental shared contribution increases among the program's three contributors: CalSTRS members, employers and the State of California.

The funding plan gives the Teachers' Retirement Board limited authority to adjust employer and state contribution rates to ensure the Defined Benefit Program remains on track to reach full funding by 2046.



## CalSTRS member contribution rates

Prior to this historic legislation, the contribution rate for members was 8% and had not been increased since 1972. Member contribution rate increases were phased in as shown in the table below.

Effective date	CalSTRS Funding Plan increases	
	2% at 60 members	2% at 62 members <sup>1</sup>
July 1, 2014	8.15%	8.15%
July 1, 2015	9.20%	8.56%
July 1, 2016	10.25%	9.205%
July 1, 2017	10.25%	9.205%
July 1, 2018	10.25%	10.205%
July 1, 2019	10.25%	10.205%
July 1, 2020	10.25%	10.205%

Neither CalSTRS members nor their employers contribute to Social Security for CalSTRS-covered service.

<sup>1</sup> The contribution rate for CalSTRS 2% at 62 members is based, in part, on the normal cost of benefits and may increase or decrease in future years.

## CalSTRS employer contribution rates

Increases in the employer contribution rate were phased in over seven years. Starting in 2021–22, the funding plan provides the board limited authority to adjust the employer contribution rate, if necessary, to fully fund the remaining unfunded liability by 2046. Those adjustments are limited to 1% annually, not to exceed 20.25% of creditable compensation.

On behalf of employers, the state made supplemental pension payments to CalSTRS in 2019–20 and re-directed approximately \$1.6 billion for short-term rate relief in 2020–21 and 2021–22. As a result, the employer contribution rates for 2019–20 and 2020–21 have been reduced from the rates originally established in the funding plan, and the employer contribution rate for 2021–22 will be reduced from the rate that will be set by the board.

Effective date	CalSTRS Funding Plan increases	
	Rate	Year-over-year change
July 1, 2013	8.25%	No increase since 1986
July 1, 2014	8.88%	0.63%
July 1, 2015	10.73%	1.85%
July 1, 2016	12.58%	1.85%
July 1, 2017	14.43%	1.85%
July 1, 2018	16.28%	1.85%
July 1, 2019	17.10% <sup>2</sup>	0.82%
July 1, 2020	16.15% <sup>2</sup>	-0.95%
July 1, 2021 <sup>4</sup>	≈ 16% <sup>2</sup>	≈ -0.15%
July 1, 2022 <sup>4</sup>	≈ 18% <sup>3</sup>	≈ 2%

<sup>2</sup> In 2019–20, the employer rate reflects a 1.03% reduction from the rate that was originally required in the funding plan. In 2020–21, the employer rate reflects a 2.95% reduction from the rate that was originally required in the funding plan. In 2021–22, the employer rate will be 2.18% less than the rate set by the board.

<sup>3</sup> In 2022–23, the employer contribution rate will return to the rate set by the board.

<sup>4</sup> Employer contribution rates are set in statute through 2020–21. Rates beyond 2020–21 are projections and may change based on actual experience.

## State contribution rates

The funding plan maintained the state’s base contribution rate of 2.017% and the Supplemental Benefit Maintenance Account (SBMA) contribution of 2.5%. It replaces the portion of the state contribution rate that was formerly dedicated to paying for the 1990 benefit structure with an amount that eliminates the state’s share of CalSTRS’ unfunded liability by June 30, 2046. The funding plan provides the board limited authority to adjust the state contribution rate; however, the rate cannot be increased by more than 0.5% each year.

The 2020–21 state budget suspended the board’s rate-setting authority for 2020–21, and the state rate increase adopted by the board in May 2020 did not go into effect. Instead, the state rate will remain at 10.328% in 2020–21. To ensure CalSTRS is made whole, the state transferred \$297 million in Proposition 2 revenues to bridge the gap.

Reflecting the 3.9% investment return earned by CalSTRS in 2019–20, the state contribution rate is expected to increase each year until reaching about 11%, and the state will also continue contributing 2.5% to the SBMA. It is important to note that the state contribution rate could be materially impacted by a recession.

## Other provisions of the CalSTRS Funding Plan

- CalSTRS submitted its first funding status report—[Report to the Legislature on the Progress of the CalSTRS Funding Plan](#)—to the Legislature in June 2019 and is required to report on the progress of the plan every five years.
- The 2% Annual Benefit Adjustment (also known as the improvement factor) cannot be reduced for members who retire on or after January 1, 2014. For members who retired prior to January 1, 2014, the legislation did not change the benefit.
- Increased contributions under the funding plan are only payable for compensation that is creditable to the Defined Benefit Program.
- Excess contributions received by CalSTRS for service creditable under the Defined Benefit Supplement Program that are also attributable to increases under the funding plan are returned to employers. Employers are responsible for returning excess member contributions to their employees, and the returned pre-tax contributions are considered taxable income in the year they are received by the employee. This occurs regardless of when the contribution was initially paid.

