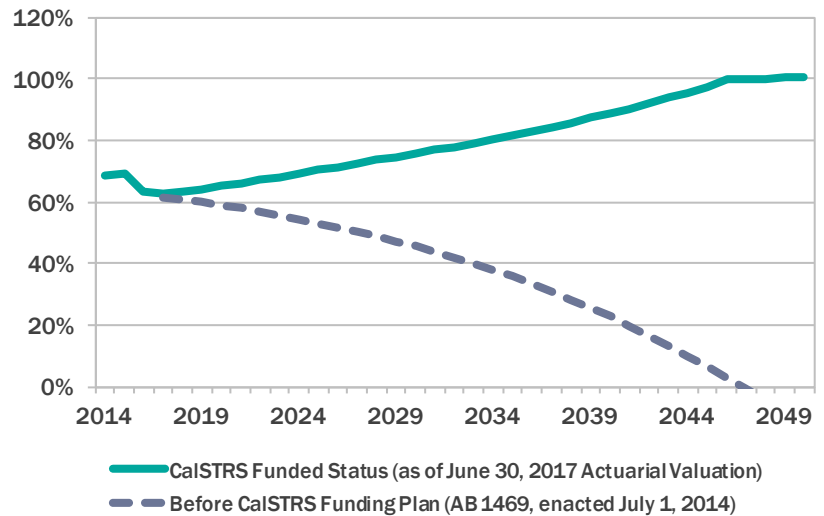


## CalSTRS Funding Plan

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 in 32 years through incremental shared contribution increases among the program’s three contributors: CalSTRS members, employers and the State of California.

The contribution rates established in the funding plan would fully fund the Defined Benefit Program based on the actuarial assumptions in place at the time it was designed in 2014. Those assumptions are periodically adjusted by the Teachers’ Retirement Board based on experience. The funding plan gives the board limited authority to adjust employer and state contribution rates accordingly.

**Historical and Projected Funded Status**



### CalSTRS Member Contribution Rate Increases

Prior to this historic legislation, the contribution rate for members was 8 percent 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%

<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 Rate Increases

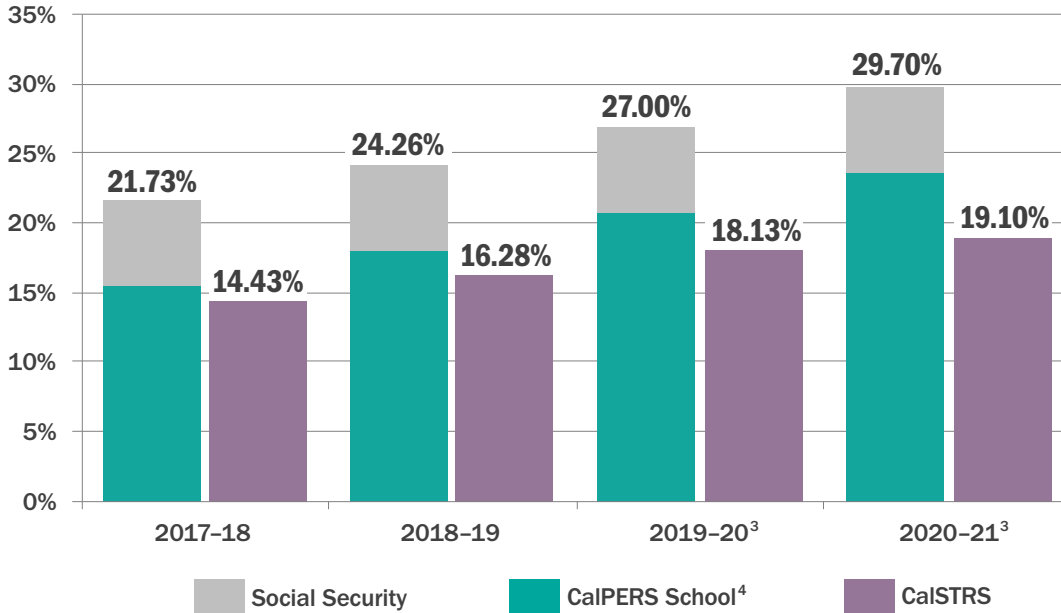
Increases in the employer contribution rate are being phased in over seven years. Starting in 2021–22, the funding plan provides the Teachers’ Retirement Board limited authority to adjust the employer contribution rate, if necessary, to fully fund the remaining unfunded liability by 2046. Those adjustments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

Effective Date	CalSTRS Funding Plan Increases	
	Rate	Year Over Year Change
July 1, 2013	8.25%	No increase since 1990
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	18.13%	1.85%
July 1, 2020	19.10%	0.97%
July 1, 2021 <sup>2</sup>	18.2%	-0.90%
July 1, 2022 <sup>2</sup>	18.2%	No change

<sup>2</sup> At this point in time, the employer contribution rate is projected to decrease to 18.2 percent in 2021–22 and remain at that rate through the rest of the funding plan. Projections may change based on actual experience.

## Employer Contribution Rates Comparison

CalPERS and Social Security vs CalSTRS Contributions



Neither CalSTRS members nor their employers contribute to Social Security.

As compared to CalPERS school employees, employers will contribute **nearly 8 percent less** for retirement benefits per CalSTRS employee in 2018-19.

<sup>3</sup> The CalPERS employer rate for fiscal year 2019-20 and 2020-21 are projections.

<sup>4</sup> Source: Public Employees' Retirement Board, Finance and Administration Committee, April 17, 2018. Agenda Item 7b - Schools Valuation and Employer/Employee Contribution Rates.

### State Contribution Increases

The CalSTRS Funding Plan maintained the state's base contribution rate of 2.017 percent and the purchasing power benefit contribution of 2.5 percent. It replaces the portion of the state contribution rate that was formerly dedicated to paying for the 1990 benefit structure with an amount that fully funds those benefits over 32 years. The funding plan provides the Teachers' Retirement Board limited authority to adjust the state contribution rate; however, the rate cannot be increased by more than 0.5 percent each year. As of July 1, 2018, the state's contribution rate is 9.828 percent.

### Other Provisions of the CalSTRS Funding Plan

- CalSTRS will submit a funding status report to the Legislature every five years, starting July 1, 2019, to ensure the plan continues to sustain an appropriately funded benefit program.

- The 2 percent 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.

