

# Changes to CalSTRS Benefits for 2018

## Option Factors Change for 2018

At its February 2017 meeting, the Teachers' Retirement Board adopted a new set of actuarial assumptions reflecting members' increasing life expectancies and current economic trends. As a result, the option factors—the actuarially determined factors used to calculate your modified monthly benefit when you elect an option to provide a lifetime monthly benefit to one or more persons after your death—were adjusted. Depending on the member's age and the beneficiary's age, the option factors for some age combinations were slightly reduced while the option factors for other age combinations were slightly increased. You will find the new option factors, as of January 1, 2018, on pages 78–79.

The board's actions were based on data included in a five-year experience study, a periodic review of demographic and economic assumptions used to determine assets and liabilities of the system. To maintain a realistic view of investment markets, the board reduced the assumed rate of return over a two-year period. The first reduction changed the rate from 7.5 percent to 7.25 percent, followed by another reduction beginning July 1, 2018, to 7 percent.

Additionally, at its April 2017 meeting, the board adopted an independent actuarial valuation report as of June 30, 2016. An actuarial valuation is a snapshot-in-time measurement of the ability of the fund to meet its future obligations. The valuation indicated that the funded ratio for the Defined Benefit Program declined from 68.5 percent in 2015 to 63.7 percent in 2016.

This decline was expected given the more conservative assumptions that were adopted in February. Even with an anticipated decline in funding levels expected into 2018, an upswing is projected as contributions gradually increase according to the parameters of the CalSTRS Funding Plan, with continued progress toward full funding by 2046.

Last July, the State of California's contribution rate increased by 0.5 percent. There were no additional contribution rate increases for fiscal year 2017–18 for CalSTRS 2% at 62 members (first hired on or after January 1, 2013). However, these members will likely see a rate increase of 1 percent on July 1, 2018, after the investment assumption is reduced to 7 percent.

Retired members, 2% at 60 members (first hired before January 1, 2013) and employers will not be affected by additional increases as a result of the board's adoption of the valuation report.

*The Governor and Legislature can make statutory changes that may affect your CalSTRS benefits and career or retirement decisions. While CalSTRS makes every effort to inform you of these changes, legislation sometimes changes quickly. To stay informed, consult a variety of resources, including CalSTRS.com, the California State Legislative information website at [leginfo.legislature.ca.gov](http://leginfo.legislature.ca.gov), or your union or elected legislative representatives.*