California State Teachers' Retirement Plan

GASB 74/75 Reporting

Reporting Date: June 30, 2017

Measurement Date: June 30, 2017

Actuarial Valuation Date: June 30, 2016

Prepared by:

Mark Olleman

FSA, EA, MAAA

Nick Collier

ASA, EA, MAAA

Daniel Wade

FSA, EA, MAAA

Julie Smith

FSA, EA, MAAA

Milliman, Inc.
1301 Fifth Avenue, Suite 3800
Seattle WA 98101-2605

Tel +1 206 624 7940
Fax +1 206 623 3485

milliman.com

Issued September 25, 2017

Table of Contents

Certification

Actuarial computations presented in this report under Statements No. 74 and 75 of the Governmental Accounting Standards Board are for purposes of assisting CalSTRS and its employers in fulfilling their financial accounting requirements. No attempt is being made to offer any accounting opinion or advice. This report is for fiscal year July 1, 2016 to June 30, 2017. The measurement date for determining plan assets and obligations is June 30, 2017. The calculations enclosed in this report have been made on a basis consistent with our understanding of the plan provisions. Determinations for purposes other than meeting financial reporting requirements may be significantly different than the results contained in this report. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security or meeting employer funding requirements.

In preparing this report, we relied, without audit, on information furnished by the California State Teachers' Retirement System (CalSTRS). This information includes, but is not limited to, statutory provisions, member census data, and financial information. Please see Milliman's June 30, 2016 Medicate Premium Payment Program funding valuation report for more information on the data used in the valuation, as well as a summary of the plan provisions and actuarial methods and assumptions.

We performed a limited review of the census and financial information used directly in our analysis and have found them to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the Plan have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the Plan and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the Plan. The Teachers' Retirement Board adopted the actuarial methods and assumptions used in the financial reporting valuation. We believe they are reasonable for these purposes.

This report is only an estimate of the Plan's financial condition as of a single date. It can neither predict the Plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions (except for the alternate discount rates shown in this report) is outside the scope of our engagement.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuarial assignment, we did not perform an analysis of the potential range of such future measurements.

Milliman's work is prepared solely for the use and benefit of CalSTRS. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

a) the plan sponsor may provide a copy of Milliman's work, in its entirety, to the plan sponsor's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Fund; and

b) the plan sponsor may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of CalSTRS and the plan sponsors. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and has been prepared in accordance with generally recognized accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Mark C Olleman

Mark Olleman, FSA, EA, MAAA
Consulting Actuary

Nick Collier

Nick Collier, ASA, EA, MAAA
Consulting Actuary

Daniel Wade

Daniel Wade, FSA, EA, MAAA
Consulting Actuary

Julie D. Smith

Julie Smith, FSA, EA, MAAA
Actuary

Overview of GASB 74 and GASB 75

The Governmental Accounting Standards Board (GASB) released new accounting standards for public postemployment benefit plans other than pension (OPEB) and participating employers in 2015. These standards, GASB Statements No. 74 and 75, have substantially revised the accounting requirements previously mandated under GASB Statements No. 43 and 45. The most notable change is that the Annual Required Contribution (ARC) has been eliminated and the Net OPEB Liability will be an item on the employer's financial statement rather than a footnote entry.

GASB 74 applies to financial reporting for public OPEB plans and is required to be implemented for plan fiscal years beginning after June 15, 2016. Note that a plan's fiscal year might not be the same as the employer's fiscal year. Even if the plan does not issue standalone financial statements, but rather is considered a trust fund of a government, it is subject to GASB 74. Under GASB 74, enhancements to the financial statement disclosures are required, along with certain required supplementary information.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2017. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

Note that GASB 75 is not required to be implemented until fiscal years beginning after June 15, 2017; however, we have provided these numbers as if the statement were implemented this year for informational purposes.

Summary of Analysis Performed

We have calculated certain requested actuarial figures for the California State Teachers' Retirement Plan (the STRP) per the Governmental Accounting Standards Board (GASB) Statements No. 74 and 75. These statements pertain to accounting and financial reporting for OPEB plans and employers.

The calculations contained in this analysis have been performed using the results of the June 30, 2016 Medicare Premium Payment (MPP) Program actuarial valuation, with certain revisions to assumptions as required by GASB 74 and 75 and described later in this report. The liabilities have been projected to June 30, 2017 and combined with the actual Teachers' Health Benefit Fund (THBF) assets of June 30, 2017.

Our final deliverable product for these GASB 74/75 calculations is a formatted .CSV file with data format specifications provided by CalSTRS accounting staff. We have provided an electronic copy of this file to you, in addition to this report. Please note that all certifications and limitations contained or referenced in this letter also apply to this electronic deliverable file. Staff should verify consistency of numbers in the .CSV file with numbers contained in this letter prior to use.

Per discussions with CalSTRS, we have performed the following analysis for the GASB Reporting Date of June 30, 2017:

1. The MPP Program benefits are effectively funded on a pay-as-you-go basis through the THBF. Therefore, we have used a discount rate of 2.85% for June 30, 2016 and 3.58% for June 30, 2017. The discount rates are based on the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as specified in GASB. The Teachers' Retirement Board has adopted the 20-Bond GO Bond Buyer Index for these purposes,
2. We have calculated the June 30, 2016 MPP Program Total OPEB Liability (TOL) and Service Cost for GASB 74/75 purposes using the following assumptions: a discount rate of 2.85%, the Individual Entry Age Normal (EAN) Cost actuarial cost method, and all other assumptions the same as used in the MPP Program actuarial valuation as of June 30, 2016.
3. We have projected these results to the June 30, 2017 reporting date. As part of the projection, we have adjusted the Total OPEB Liability as of June 30, 2017 to reflect the 3.58% discount rate in effect for that date.
4. We have performed a discount-rate sensitivity analysis on the Net OPEB Liability for +1% (a 4.58% discount rate) and -1% (a 2.58% discount rate) scenarios on the GASB discount rate. In addition, we have calculated the values using the 3.58% discount rate but with +/-1% added to the assumed trend rate.
5. We have calculated a total average remaining service life for all MPP Program members as 1.0, since all current and potential future Program members are currently retired.
6. We have provided the sources of change in the Net OPEB Liability between June 30, 2016 and June 30, 2017. These sources of change consist of: changes in benefit terms, differences between actual and expected experience (including difference in actual and expected trend), changes of assumptions, and differences between projected and actual earnings on plan investments. There are changes in benefit terms as of June 30, 2017, so these line items are $0.

Statement of Fiduciary Net Position

	June 30, 2017	June 30, 2016
Assets		
Cash and cash equivalents	$289	$0
Receivables and prepaid expenses:		
Investments sold	0	0
Interest and dividends	2,495	3,000
Employer contributions	0	0
Loans receivable	0	0
Other	(485)	0
Total receivables	2,010	3,000
Investments:		
Fixed income	606,357	590,000
Stocks	0	0
Short-term investments	0	0
Real estate	0	0
Alternative investments	0	0
Total investments	606,357	590,000
Invested securities lending cash collateral	0	0
Capital assets net of accumulated depreciation	0	0
Total assets	608,656	593,000
Liabilities		
Accrued expenses and benefits payable	0	0
Securities lending cash obligation	0	0
Benefits in process of payment	482	0
Payable to brokers for unsettled trades	0	0
Net Pension and OPEB Obligation	624,780	571,000
Other	17,591	32,337
Total liabilities	642,853	603,337
Net Deferred (Inflows)/Outflows of Resources		
Deferred inflows of resources	(12,208)	(22,000)
Deferred outflows of resources	88,012	42,000
Total deferred (inflows)/outflows	75,804	20,000
Net position restricted for postemployment benefits other than pensions	$41,607	$9,663

Statement of Changes in Fiduciary Net Position

	June 30, 2017
Additions	
Member contributions	$0
Employer contributions	29,116,904
Total contributions	29,116,904
Investment income (loss):	
Interest	11,967
Dividends	0
Equity fund income, net	0
Net increase in fair value of investments	(643)
Securities lending income	0
Less investment expenses:	
Direct investment expense	0
Securities lending management fees	0
Securities lending borrower rebates	0
Net investment income	11,324
Other income	0
Other adjustments	314
Total additions	29,128,542
Deductions	
Premiums paid	28,929,288
Administrative expenses	167,310
Total deductions	29,096,598
Net increase (decrease)	31,944
Net position restricted for postemployment benefits other than pensions	
Beginning of year (June 30, 2016)	9,663
End of year (June 30, 2017)	$41,607

Net OPEB Liability

Net OPEB Liability	June 30, 2017	June 30, 2016
Total OPEB liability	$420,749,494	$468,030,757
Fiduciary net position	41,607	9,663
Net OPEB liability	420,707,887	468,021,094
Fiduciary net position as a % of total OPEB liability	0.01%	0.00%
Covered payroll[1]	$0	$0
Net OPEB liability as a % of covered payroll[1]	N/A	N/A

1. There are no active employees eligible to be provided benefits through the MPP Program. Therefore, the covered payroll is $0. If expressed as a percentage of the total covered payroll for the State Teachers' Retirement Program, the net OPEB liability would be 1.23% as of June 30, 2017 and 1.32% as of June 30, 2016.

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date.

Discount Rate

Discount rate	3.58%	2.85%
Long-term expected rate of return, net of investment expense	3.58%	2.85%
Municipal bond rate	3.58%	2.85%

The plan's fiduciary net position was not projected to be sufficient to make more than one month of future benefit payments. Therefore, the municipal bond rate is applied to all future benefit payments.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of June 30, 2017 were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

Valuation date	June 30, 2016	June 30, 2016
Measurement date	June 30, 2017	June 30, 2016
Other assumptions and methods	See the 'Actuarial Methods and Assumptions for GASB Valuation' section of this report.	

Note: Numbers may not add due to rounding.

Discount Rate and Depletion Date Projection

The discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the OPEB plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on OPEB plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

The MPP Program benefits are effectively funded on a pay-as-you-go basis through the THBF. Although Illustration B2 of the GASB Statement 74/75 Implementation Guide may indicate no depletion date would occur, the discount rate has been set to the municipal bond index because the expected long-term rate of return of the invested assets is not expected to be materially better than the municipal bond index rate. We have used a discount rate of 2.85% for June 30, 2016 and 3.58% for June 30, 2017. The discount rates are based on the municipal bond index previously discussed.

Total OPEB Liability and Net OPEB Liability

The June 30, 2016 MPP Program actuarial valuation was recalculated using the GASB discount rate of 2.85% effective as of that date. These recalculations are sometimes referred to as “financial reporting actuarial valuation” to indicate differences in methodology from regular (funding) actuarial valuation calculations. The MPP Program was valued using the Individual Entry Age Normal Cost (EAN) actuarial cost method as specified under GASB 74/75. Note that this is the same as the actuarial valuation for funding.

The resulting liabilities were allocated to past and future service using the EAN cost method. Since all MPP Program members are retirees, all liabilities were allocated to past service. The Total OPEB Liability is the amount of GASB valuation liability allocated to past service; therefore, it is somewhat analogous to the Actuarial Obligation figures shown in the June 30, 2016 actuarial valuation report. However, it will differ from those figures due to the different discount rate.

The June 30, 2016 Total OPEB Liability was then projected forward to the June 30, 2016 reporting date. An adjustment was made to the Total OPEB Liability as part of the roll-forward projection to reflect the discount rate effective June 30, 2017 of 3.58%.

The Total OPEB Liability is made up of two groups:

Current Members of the MPP Program:	$ 371,113,676
Current Retirees who are Expected to Join the MPP Program in the Future;	49,635,818
Total OPEB Liability:	$ 420,749,494

The June 30, 2017 Net OPEB Liability is equal to the Total OPEB Liability as of that date, less the Fiduciary Net Position for the THBL as of that date. The following exhibit shows the changes in the Total OPEB Liability, Fiduciary Net Position, and Net OPEB Liability between June 30, 2016 and June 30, 2017.

We have performed a discount-rate sensitivity analysis on the Net OPEB Liability for +1% (a 4.58% discount rate) and -1% (a 2.58% discount rate) scenarios on the GASB discount rate. In addition, we have calculated the values using the 3.58% discount rate but with +/-1% added to the assumed trend rate.

The results of the sensitivity analysis shown in the following exhibit.

Schedule of Changes in Net OPEB Liability

Changes in Net OPEB Liability	Increase (Decrease) Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of June 30, 2016	$468,030,757	$9,663	$468,021,094
Changes for the year:			
Service cost	0		0
Interest on total OPEB liability	12,929,530		12,929,530
Effect of plan changes	0		0
Effect of economic/demographic gains or losses	(41,252)		(41,252)
Effect of assumptions changes or inputs	(31,240,253)		(31,240,253)
Benefit payments	(28,929,288)	(28,929,288)	0
Employer contributions		29,116,904	(29,116,904)
Member contributions		0	0
Net investment income		11,638	(11,638)
Adminstrative expenses		(167,310)	167,310
Balances as of June 30, 2017	420,749,494	41,607	420,707,887

Sensitivity Analysis

The following presents the net OPEB liability of the MPP Program, calculated using the discount rate of 3.58%, as well as what the MPP Program's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58%) or 1 percentage point higher (4.58%) than the current rate.

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
Total OPEB liability	376,933,327	$420,749,494	465,794,712
Fiduciary net position	41,607	41,607	41,607
Net OPEB liability	376,891,720	420,707,887	465,753,105

The following presents the net OPEB liability of the MPP Program, calculated using the current healthcare cost trend rates as well as what the MPP Program's net OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$380,216,043	$420,749,494	$460,879,051
Fiduciary net position	41,607	41,607	41,607
Net OPEB liability	380,174,436	420,707,887	460,837,444

1. Numbers may not add due to rounding.

Schedule of Changes in Net OPEB Liability and Related Ratios

$ Thousands

	Fiscal Year Ending June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total OPEB Liability										
Service cost	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interest on total OPEB liability	12,930	0	0	0	0	0	0	0	0	0
Changes of benefit terms	0	0	0	0	0	0	0	0	0	0
Effect of economic/demographic (gains) or losses	(41)	0	0	0	0	0	0	0	0	0
Effect of assumption changes or inputs	(31,240)	0	0	0	0	0	0	0	0	0
Benefit payments	(28,929)	0	0	0	0	0	0	0	0	0
Net change in total OPEB liability	(47,281)	0	0	0	0	0	0	0	0	0
Total OPEB liability, beginning	468,031	0	0	0	0	0	0	0	0	0
Total OPEB liability, ending (a)	420,749	0	0	0	0	0	0	0	0	0
Fiduciary Net Position										
Employer contributions	$29,117	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Investment income	12	0	0	0	0	0	0	0	0	0
Benefit payments	(28,929)	0	0	0	0	0	0	0	0	0
Administrative expenses	(167)	0	0	0	0	0	0	0	0	0
Net change in plan fiduciary net position	32	0	0	0	0	0	0	0	0	0
Fiduciary net position, beginning	10	0	0	0	0	0	0	0	0	0
Fiduciary net position, ending (b)	42	0	0	0	0	0	0	0	0	0
Net OPEB liability, ending = (a) - (b)	$420,708	$0	$0	$0	$0	$0	$0	$0	$0	$0
Fiduciary net position as a % of total OPEB liability	0.01%	NA	NA	NA	NA	NA	NA	NA	NA	NA
Covered payroll	-	0	0	0	0	0	0	0	0	0
Net OPEB liability as a % of covered payroll	N/A	NA	NA	NA	NA	NA	NA	NA	NA	NA

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

Notes to Schedule:

Changes of benefit terms : None

Changes of assumptions . In 2017, the discount rate was changed to reflect the current municipal bond rate.

Note: Numbers may not add due to rounding.

Allocable OPEB Expense

ILLUSTRATIVE PURPOSES ONLY

OPEB Expense	July 1, 2016 to June 30, 2017	July 1, 2015 to June 30, 2016
Service cost	$0	N/A
Interest on total OPEB liability	12,929,530	N/A
Effect of plan changes	0	N/A
Administrative expenses	167,310	N/A
Member contributions	0	N/A
Expected investment return net of investment expenses	(563)	N/A
Recognition of Deferred Inflows/Outflows of Resources		
Recognition of economic/demographic gains or losses	(41,252)	N/A
Recognition of assumption changes or inputs	(31,240,253)	N/A
Recognition of investment gains or losses	(2,215)	N/A
OPEB Expense	(18,187,443)	N/A

As of June 30, 2017, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resouces	Deferred Outflows of Resouces
Differences between expected and actual experience	$0	$0
Changes of assumptions	0	0
Net difference between projected and actual earnings	8,860	0
Contributions made subsequent to measurement date	Employer Determined	Employer Determined
Total	$ 8,860	$ 0

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended June 30:[1]	
2018	($2,215)
2019	(2,215)
2020	(2,215)
2021	(2,215)
2022	0
Thereafter[2]	0

1. Note that additional future deferred inflows/outflows may impact these numbers.

2. Reflects remaining balance of total deferred (inflows)/outflows, if any.

Schedule of Deferred Inflows and Outflows of Resources

ILLUSTRATIVE PURPOSES ONLY

	Original Amount	Date Established	Original Recognition Period[1]	Amount Recognized in 06/30/2017 Expense	Balance of Deferred Inflows 06/30/2017	Balance of Deferred Outflows 06/30/2017
Investment (gains) or losses	($ 11,075)	6/30/2017	5.0	($ 2,215)	$ 8,860	$ 0
		Total		(2,215)	8,860	0
Economic/demographic (gains) or losses	(41,252)	6/30/2017	1.0	(41,252)	0	0
		Total		(41,252)	0	0
Assumption changes or inputs	(31,240,253)	6/30/2017	1.0	(31,240,253)	0	0
		Total		(31,240,253)	0	0

Future Deferred Inflow/Outflow Recognition

Year ended June 30:[2]	Investment (Gains) or Losses	Economic/ Demographic (Gains) or Losses	Assumption Changes
2018	($ 2,215)	$ 0	$ 0
2019	(2,215)	0	0
2020	(2,215)	0	0
2021	(2,215)	0	0
2022	0	0	0
Thereafter[3]	0	0	0

1. Investment (gains)/losses are recognized in OPEB expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members. The average remaining service life for all MPP Program members is set to 1.0, since all current and future Program members are currently retired.

2. Note that additional future deferred inflows/outflows may impact these numbers.

3. Reflects remaining balance of total deferred (inflows)/outflows, if any.

Actuarial Methods and Assumptions for GASB Valuation

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the June 30, 2016 MPP Program funding valuation, except as noted below and throughout this report. Please see the valuation reports for further details.

Following are the key assumptions and methods used in this GASB analysis.

Valuation Timing

Actuarial valuations are performed biennially as of June 30. The most recent valuation was performed as of June 30, 2016.

Actuarial Cost Method

Individual Entry Age Normal

Amortization Method

Recognition of investment gains or losses: Straight-Line amortization over 5 years

Recognition of economic/demographic gains or losses: Straight-Line amortization over Expected Working Life (immediate full recognition, since all plan members are retired)

Recognition of assumptions changes or inputs: Straight-Line amortization over Expected Working Life (immediate full recognition, since all plan members are retired)

Asset Valuation Method

Fair Value

Inflation

2.75%

Salary Increases

Not applicable

Discount Rate

3.58% as of June 30, 2017

Healthcare Cost Trend Rates

Trend Assumption		
	Assumed Annual Increase	
Years(1)	Part A	Part B
2017 - 2026	3.4%	4.0%
2027 - 2036	4.6%	5.2%
2037 - 2046	4.1%	4.7%
2047 & Later	3.9%	4.5%

1. Trend rates indicate medical inflation in the specific year and therefore affect the premiums for the following year. For example, the projected 2018 premium is the 2017 premium increased by the assumed 2017 trend rate.

MPP Program Participation Rates

See exhibit on following page

Retirement

Not Applicable

Turnover

Not Applicable

Mortality

Custom CalSTRS rates (same as funding valuation).
See June 30, 2016 MPP Program funding valuation for details.

Part A Enrollment Rates[1]

Assumption	Best Estimate	Higher Cost
% of Actives and Under 65 Retirees Enrolling (Retired on or After 2001) [2]	2.50%	3.00%
% of Under 65 Retirees Enrolling (Retired Before 2001)	3.50%	4.25%
% of Over 65 Retirees Enrolling (for those not Currently Enrolled) at Age:[3]		
65	0.60%	0.80%
66	0.06	0.10
67	0.04	0.08
68	0.03	0.06
69	0.03	0.04
70-84	0.02	0.03
85 & Above	0.00	0.00
% of Over 65 Retirees Enrolling (for those Already Enrolled)	100.0%	100.0%

1. Only current enrollees are assumed to receive Part B payments.

2. For under age 65 retirees, the enrollment percent applies upon reaching age 65. No enrollment is assumed after age 65 for retirees currently under age 65.

3. For over 65 retirees, the enrollment percent applies in each future year.

MPP Program Member Data

		June 30, 2016
Number of Enrolled Members		
Retirees with Part A Premium		6,387
Retirees with Part B Penalty		684
Average CalSTRS Payment for Enrolled Members (for current calendar year)		
Retirees with Part A Premium	$	381.01
Retirees with Part B Penalty		66.28

Glossary

Actuarially Determined Contribution
A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined based on the funding policy and most recent measurement available when the contribution for the reporting period was adopted.

Deferred Inflows/Outflows of Resources
Portion of changes in Net OPEB Liability that is not immediately recognized in OPEB Expense. These changes include differences between expected and actual experience, changes in assumptions, and differences between expected and actual earnings on plan investments.

Discount Rate
Single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the sum of:

1) The actuarial present value of benefit payments projected to be made in future periods where the plan assets are projected to be sufficient to meet benefit payments, calculated using the Long-Term Expected Rate of Return.

2) The actuarial present value of projected benefit payments not included in (1), calculated using the Municipal Bond Rate.

Fiduciary Net Position
Equal to market value of assets.

Municipal Bond Rate
Yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Net OPEB Liability
Total OPEB Liability minus the Plan's Fiduciary Net Position.

Projected Benefit Payments
All benefits estimated to be payable through the OPEB plan to current active and inactive employees as a result of their past service and expected future service.

Service Cost
The portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.

Total OPEB Liability
The portion of actuarial present value of projected benefit payments that is attributable to past periods of member service using the Entry Age Normal cost method based on the requirements of GASB 74 and 75.