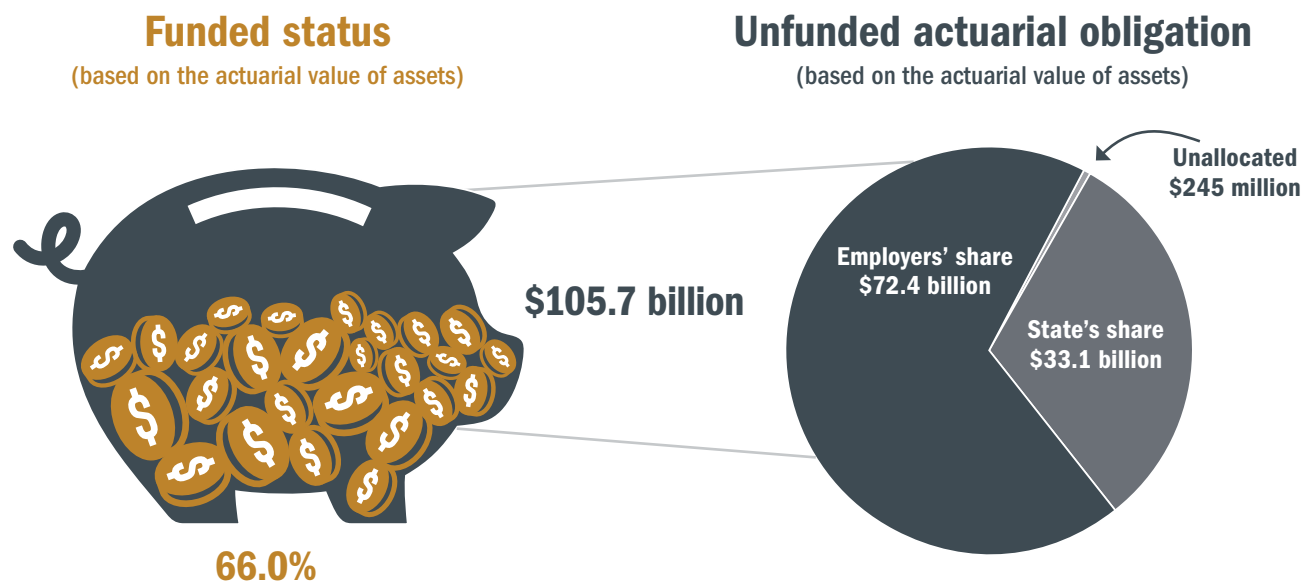


CalSTRS Funding Levels and Contribution Rates

CalSTRS Defined Benefit Program

(as of the June 30, 2019, actuarial valuation)



CalSTRS funded status and funding plan

The funded status is the ratio of CalSTRS' assets to the value of educators' promised benefits. An unfunded actuarial obligation (UAO) exists when the system's obligations exceed its assets. The CalSTRS Funding Plan—Chapter 47, Statutes of 2014 (AB 1469-Bonta)—puts the 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 plan also distributes the responsibility to pay down the UAO between the state and employers and gives the Teachers' Retirement Board limited rate-setting authority.

Contribution rates

Below is a table showing the contribution rates for the state, employers and members that are anticipated for CalSTRS to achieve full funding. Projected rates in shaded areas are estimates that could be affected by actual investment performance, demographic changes and actuarial assumption changes. Changes in the contribution rates from the 2019–20 and 2020–21 state budgets are also included.

Fiscal year begin	State ¹	Employers ²	2% at 60 members	2% at 62 members ³
2018	7.328%	16.28%	10.25%	10.205%
2019	7.828%	17.10%	10.25%	10.205%
2020	7.828%	16.15%	10.25%	10.205%
2021	8.3%	≈16%	10.25%	10.205% ⁴
2022	8.8%	≈18%	10.25%	10.205% ⁴
2023	9.3%	≈18%	10.25%	10.205% ⁴
2024	9.8%	≈18%	10.25%	10.205% ⁴

On behalf of employers, the state made supplemental pension payments to CalSTRS in 2019–20 and re-directed approximately \$1.6 billion of the supplemental payments for short-term rate relief in 2020–21. As a result, the employer contribution rates for 2019–20 and 2020–21 were reduced from the rates originally established in the funding plan by 1.03% and 2.95%, respectively. In 2021–22, the rate will be reduced by 2.18% from the rate that will be set by the board.

The 2020–21 state budget suspended the board’s rate-setting authority for the state contribution rate for 2020–21, and the rate increase adopted by the board in May 2020 did not go into effect. Instead, the state rate will remain at 7.828% in 2020–21. To ensure CalSTRS is made whole, the state transferred \$297 million in Proposition 2 revenues to bridge the gap. The state contribution rate is expected to increase each year until reaching about 11%. It is important to note the state contribution rate could be materially impacted by a recession.

¹ Additionally, the state contributes 2.5% to the Supplemental Benefit Maintenance Account.

² Employer contribution rates are set in statute through 2020-21, and starting in 2021-22, the funding plan provides the board with limited employer rate-setting authority.

³ The contribution rate for 2% at 62 members is equal to one half of the normal cost pursuant to the Public Employees’ Pension Reform Act of 2013 (PEPRA) plus 1.205%.

⁴ The contribution rate for 2% at 62 members could change if the normal cost increases or decreases by more than 1% from the normal cost as of the June 30, 2017, actuarial valuation.