

6300 State Contributions to the State Teachers' Retirement System

The state makes General Fund payments to the California State Teachers' Retirement System (CalSTRS).

The annual General Fund contribution to the CalSTRS Defined Benefit Program is based on 2.017 percent of members' creditable earnings of the fiscal year ending in the immediately preceding calendar year. Current law also provides for an additional state contribution when the Teachers' Retirement Fund has an unfunded obligation for benefits that were in place on July 1, 1990. Chapter 47, Statutes of 2014 (AB 1469) increased this additional state contribution, to be phased in over three years beginning in 2014-15, to 4.311 percent of members' creditable earnings. The CalSTRS Board can increase the state's contribution by 0.50 percent of payroll each year to meet the funding need.

The Supplemental Benefit Maintenance Account (SBMA), established in 1989, provides annual supplemental payments (in quarterly installments) to members whose purchasing power has fallen below a specified percent of the original purchasing power allowance. Chapter 751, Statutes of 2008 (AB 1389) increased the amount of supplemental purchase power protection payments from the SBMA to up to 85 percent of the value of the original benefit. The CalSTRS Board is required to set SBMA benefits between an amount necessary to preserve 80 to 85 percent of retirees' purchasing power, pursuant to CalSTRS regulations, and subject to the availability of funds. The General Fund provides a statutory transfer to the SBMA of an amount equal to 2.5 percent of the members' creditable earnings of the fiscal year ending in the immediately preceding calendar year, less a specified amount that is currently capped at \$72 million. Payments are made on October 15 and April 15 of each year. If, at any time, the funds in the SBMA are insufficient to support 80 percent purchasing power, the CalSTRS Board can: (1) transfer funds from the Teachers' Retirement Fund if no CalSTRS unfunded obligation exists, (2) increase employer contributions, or (3) reduce the SBMA benefit payment.

3-YR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2015-16	2016-17	2017-18	2015-16*	2016-17*	2017-18*
5350 Benefits Funding	-	-	-	\$1,328,324	\$1,824,276	\$2,092,570
5355 Supplemental Benefits Maintenance Account	-	-	-	606,963	648,717	694,172
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	-	-	-	\$1,935,287	\$2,472,993	\$2,786,742
FUNDING				2015-16*	2016-17*	2017-18*
0001 General Fund				\$1,935,287	\$2,472,993	\$2,786,742
TOTALS, EXPENDITURES, ALL FUNDS				\$1,935,287	\$2,472,993	\$2,786,742

LEGAL CITATIONS AND AUTHORITY

DEPARTMENT AUTHORITY

Education Code, Title 1, Division 1, Part 13, Chapter 16.

MAJOR PROGRAM CHANGES

- The Budget includes a 0.50 percent increase to the state's contribution to reflect changes in demographic and economic assumption changes expected to be adopted by the CalSTRS Board in 2017. The assumption changes will increase the system's liabilities, resulting in an increase to the state's funding obligation.

DETAILED BUDGET ADJUSTMENTS

	2016-17*			2017-18*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
Workload Budget Adjustments						
Other Workload Budget Adjustments						
• Miscellaneous Baseline Adjustments	\$-	\$-	-	\$237,400	\$-	-
Totals, Other Workload Budget Adjustments	\$-	\$-	-	\$237,400	\$-	-
Totals, Workload Budget Adjustments	\$-	\$-	-	\$237,400	\$-	-
Totals, Budget Adjustments	\$-	\$-	-	\$237,400	\$-	-

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

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2 LOCAL ASSISTANCE	2015-16*	2016-17*	2017-18*
0001 General Fund			
APPROPRIATIONS			
Education Code Section 22955.1 (Benefits Funding)	\$1,328,324	\$1,824,276	\$2,092,570
Education Code Section 22954 (Supplemental Benefit Maintenance Account)	<u>606,963</u>	<u>648,717</u>	<u>694,172</u>
TOTALS, EXPENDITURES	<u>\$1,935,287</u>	<u>\$2,472,993</u>	<u>\$2,786,742</u>
Total Expenditures, All Funds, (Local Assistance)	\$1,935,287	\$2,472,993	\$2,786,742

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.