

6300 State Contributions to the State Teachers' Retirement System

The state General Fund makes annual payments to the State Teachers' Retirement System in order to reduce the retirement contribution burden on members and school districts.

Effective July 1, 2003, the annual General Fund contribution to the California State Teachers' Retirement System (CalSTRS) is based on 2.017 percent of the members' credible earnings of the fiscal year ending in the immediately preceding calendar year. Current law also provides for an additional state contribution when the State Teachers' Retirement Fund has a normal cost deficit or unfunded obligation for benefits in place on July 1, 1990. This contribution is 0.524 percent of the members' credible earnings of the fiscal year ending in the immediately preceding calendar year. If the unfunded obligation continues, the 0.524 percent factor may be adjusted upwards annually in increments of no more than 0.25 percent and is capped at 1.505 percent of members' credible earnings of the fiscal year ending in the immediately preceding calendar year. The state contributions are not appropriated through the annual Budget Act.

The Supplemental Benefit Maintenance Account was established in 1989 to maintain purchasing power of retired members. In 2001, the purchasing power threshold was increased from 75 percent to 80 percent of the value of the original benefit. The state General Fund provides a statutory transfer to the CalSTRS of an amount equal to 2.5 percent of the member credible earnings of the fiscal year ending in the immediately preceding calendar year to be deposited in the Supplemental Benefits Maintenance Account. If, at anytime the funds in the Supplemental Benefits Maintenance Account are insufficient to support 80 percent purchasing power, the Teachers' Retirement Board can: (1) transfer funds from the Teachers' Retirement Fund if no CalSTRS unfunded obligation exists; (2) increase employer contributions; or (3) reduce the Supplemental Benefit Maintenance Account benefit payment. A recent actuarial analysis performed at the direction of the Department of Finance concluded that the currently required state contributions are more than sufficient to maintain purchasing power at 80 percent, based on current economic assumptions. The state's basic contributions (2.5 percent of member credible earnings of the fiscal year ending in the immediately preceding calendar year) for purchasing power protection are not appropriated through the annual Budget Act. Any increase in employer contributions must be approved through the Budget Act.

3-YR EXPENDITURES AND POSITIONS (Summary of Program Requirements)

	Positions			Expenditures		
	2005-06	2006-07	2007-08	2005-06*	2006-07*	2007-08*
10 Benefits Funding	-	-	-	\$499,697	\$360,183	\$501,416
20 Supplemental Benefits Maintenance	-	-	-	581,367	598,391	546,909
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	-	-	-	\$1,081,064	\$958,574	\$1,048,325
FUNDING				2005-06*	2006-07*	2007-08*
0001 General Fund				\$1,081,064	\$958,574	\$1,048,325
TOTALS, EXPENDITURES, ALL FUNDS				\$1,081,064	\$958,574	\$1,048,325

LEGAL CITATIONS AND AUTHORITY

DEPARTMENT AUTHORITY

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

DETAILED BUDGET ADJUSTMENTS

	2006-07*			2007-08*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
Baseline Adjustment Descriptions						
• Other Baseline Adjustments	\$-	\$-	-	\$164,329	\$-	-
Totals, Baseline Adjustments	\$-	\$-	-	\$164,329	\$-	-
Policy Adjustment Descriptions						
• Reduce Contributions to Supplemental Benefit Maintenance Account	\$-	\$-	-	-\$74,578	\$-	-
Totals, Policy Adjustments	\$-	\$-	-	-\$74,578	\$-	-
TOTALS, BUDGET ADJUSTMENTS	\$-	\$-	-	\$89,751	\$-	-

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS (Reconciliation with Appropriations)

* Dollars in thousands, except in Salary Range.

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2 LOCAL ASSISTANCE	2005-06*	2006-07*	2007-08*
0001 General Fund			
APPROPRIATIONS			
Education Code Section 22955(a) (Benefits Funding)	\$499,697	\$360,183	\$501,416
Education Code Sec 22954 (Supplemental Benefit Maintenance Account)	<u>581,367</u>	<u>598,391</u>	<u>546,909</u>
TOTALS, EXPENDITURES	<u>\$1,081,064</u>	<u>\$958,574</u>	<u>\$1,048,325</u>
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$1,081,064	\$958,574	\$1,048,325

* Dollars in thousands, except in Salary Range.