Supplemental Payments: Funding Information and Estimation

Fiscal Year 2024–25

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CALSTRS

California State Teachers' Retirement System
Supplemental Payments

Contents

Purchasing power

Higher rates of inflation can impact the standard of living for benefit recipients living on a fixed income. Inflation is generally measured by changes in the average prices of selected goods and services. As inflation rises, the value of money decreases because it purchases fewer goods and services.

Inflation can also be defined as a decline in the purchasing power of money. The higher the rate of inflation, the greater the drop in the purchasing power of money. For example, if wages remain the same but prices double, the current purchasing power of wages is only 50%. Wages must double to maintain the same purchasing power as before the price increases.

CalSTRS measures the purchasing power of benefits by the change in the All Urban California Consumer Price Index (CCPI) published by the Department of Industrial Relations, Bureau of Labor Statistics. The cumulative change in the CCPI from every year since 1955 is displayed in the purchasing power factors table on pages 6–8.

Two percent annual benefit adjustment

(Education Code sections 22140, 22141 and 24402)

The CalSTRS Defined Benefit Program provides an automatic 2% annual benefit adjustment to all benefit recipients to provide some protection against the effects of inflation. This annual "benefit improvement factor" is applied September 1 of each year following the first anniversary of the effective date of the benefit.

Supplemental payments

Supplemental payments to provide additional purchasing power protection for CalSTRS benefit recipients are funded by school lands revenue and the Supplemental Benefit Maintenance Account (SBMA). Supplemental payments begin automatically after a benefit falls below 85% purchasing power and are issued on October 1, January 1, April 1 and July 1. Supplemental payments are not guaranteed and will continue only as long as funds are available. Periods of low inflation can also occur and lower the quarterly supplemental payment amount.

School lands revenue

(Education Code sections 24412 and 24413)

Revenue generated from the use of state school lands (land granted to California by the federal government to support schools) and lieu lands (properties purchased with the proceeds from the sale of school lands) during the prior year is transferred to CalSTRS each year for the purpose of providing annual supplemental payments in quarterly installments. Since 1983, the Legislature and the Teachers' Retirement Board have worked to maintain a minimum of 75% purchasing power for CalSTRS benefit recipients. Chapter 840, Statutes of 2001, increased the payments to provide up to 80% purchasing power.

School lands revenue is distributed on a pro-rata basis to all benefit recipients when their initial benefit falls below 80% purchasing power. Because the revenue from school lands does not generate enough income to increase the purchasing power of all CalSTRS benefits to at least 80%, the available revenue is distributed on a proportional basis to all eligible benefit recipients.

For example, if school lands revenue is only sufficient to provide 5% of the amount needed for all benefits to reach at least 80% purchasing power, eligible benefit recipients receive supplemental payments with 5% funded by school lands revenue.

In 2023–24, school lands revenue only provided 1.0% of the amount needed to restore the purchasing power for eligible benefit recipients, and the SBMA was used to make up the difference and issue supplemental payments that raised purchasing power to 85%.

Supplemental Benefit Maintenance Account

(Education Code sections 24415, 24415.5, 24416 and 24417)

Chapter 751, Statutes of 2008, authorized the Teachers' Retirement Board to adjust the purchasing power protection payments from the SBMA to no less than 80% and no more than 85% of the purchasing power of the initial monthly benefit, based on actuarial projections.

The SBMA provides annual supplemental payments in quarterly installments to all benefit recipients whose benefit falls below 85% purchasing power, after the application of school lands monies and as long as funds are available. The amount of the supplemental payments from the SBMA depends on how much each benefit has fallen below 85% purchasing power and how much of the supplemental payments is funded by school lands revenue.

Every year on July 1, the State of California contributes 2.5% of the annual earnings of all CalSTRS members from the previous fiscal year to the SBMA in the Teachers' Retirement Fund. Beginning with the 2008–09 fiscal year, the appropriation was reduced in accordance with the following schedule. The contributions are made on October 15 and April 15 of each fiscal year, with each contribution equal to one half of the amount appropriated.

Fiscal year	State SBMA contribution reduced by
2008–09	$66,386,000
2009–10	$70,000,000
2010–11	$71,000,000
2011–12 and each fiscal year thereafter	$72,000,000

Since 2001, contributions to the SBMA have been a contractually enforceable obligation of the state. However, Chapter 6, Statues of 2003, reduced the state's contribution for fiscal year 2003–04 by $500 million. The Teachers' Retirement Board successfully pursued litigation to compel payment of the $500 million plus interest. A $500 million payment consisting of the interest owed to date and partial payment of the principal was received September 6, 2007.

Chapter 751, Statutes of 2008, appropriated $56,979,949 to pay the remaining principal and interest of the original $500 million, to be contributed to the SBMA on or after July 1 in each fiscal year starting with fiscal year 2009–10 and ending with fiscal year 2012–13.

Supplemental payments at 85% purchasing power, however, are not vested or guaranteed. If the combined funding from both sources is not sufficient to bring purchasing power up to the 85% level, supplemental payments may have to be paid at a lower level. However, based upon actuarial assumptions, the funding for supplemental payments at 85% purchasing power is sufficient for more than 30 years.

Senate Bill 868 (Chapter 818, Statutes of 2022) increase

(Education Code section 24410.8)

Senate Bill 868 (Chapter 818, Statutes of 2022) provided additional benefits from the SBMA, effective July 1, 2023, to be paid quarterly. These payments are to be made to retired members, nonmember spouses, disabled members and beneficiaries with a benefit effective, disability or death date prior to January 1, 1999. The payments increased as follows:

Period during which retirement, disability or death occurred	Percentage increase
Before January 1, 1980	15.0%
January 1, 1980–December 31, 1989	10.0%
January 1, 1990–December 31, 1998	5.0%
After December 31, 1998	0.0%

The increase, determined on July 1, 2023, was based on the total benefit being paid, including all benefit increases and the monthly equivalent of any purchasing power payments, and excluding annuities payable from accumulated annuity deposit contributions and tax-sheltered annuity contributions.

These increases are not part of the base benefit and are payable only to the extent that funds are available from the SBMA.

Purchasing power factors

The purchasing power factor is calculated by dividing the 2024 June CCPI by the June CCPI for the specified year.

Year	June CCPI	Purchasing power factor
1955	25.7	13.341
1956	26.2	13.086
1957	27.1	12.652
1958	28.1	12.201
1959	28.5	12.030
1960	29.1	11.782
1961	29.5	11.622
1962	30.0	11.429
1963	30.2	11.353
1964	30.8	11.132
1965	31.6	10.850
1966	32.1	10.681
1967	32.9	10.421
1968	34.3	9.996
1969	36.0	9.524
1970	37.9	9.046
1971	39.4	8.702
1972	40.5	8.466
1973	42.7	8.029
1974	47.1	7.279
1975	52.0	6.593
1976	55.2	6.211
1977	59.5	5.762
1978	64.6	5.307
1979	71.0	4.829
1980	83.3	4.116

Year	June CCPI	Purchasing power factor
1981	90.1	3.805
1982	98.5	3.481
1983	99.1	3.460
1984	103.6	3.309
1985	108.4	3.163
1986	112.2	3.056
1987	116.3	2.948
1988	121.7	2.817
1989	128.2	2.674
1990	134.3	2.553
1991	140.1	2.447
1992	145.2	2.361
1993	148.9	2.303
1994	150.7	2.275
1995	154.2	2.223
1996	156.6	2.189
1997	160.0	2.143
1998	163.6	2.096
1999	167.8	2.043
2000	174.0	1.970
2001	183.2	1.871
2002	185.9	1.844
2003	189.9	1.805
2004	195.8	1.751
2005	201.3	1.703
2006	210.9	1.626
2007	217.4	1.577
2008	228.324	1.502
2009	224.994	1.524
2010	227.113	1.510

Year	June CCPI	Purchasing power factor
2011	233.285	1.470
2012	237.781	1.442
2013	241.926	1.417
2014	247.228	1.387
2015	250.404	1.369
2016	255.576	1.342
2017	262.286	1.307
2018	272.462	1.258
2019	280.956	1.220
2020	284.835	1.204
2021	297.447	1.153
2022	322.043	1.065
2023	332.035	1.033
2024	342.856	1.000

Supplemental payment estimation

Determine the purchasing power percentage of your current benefit

To estimate supplemental payments, first calculate the purchasing power of your current CalSTRS benefit using:

- Benefit effective date: Identified by “Initial Date/Allow” on the direct deposit advice or check stub just below the Client ID.
- Purchasing power factor: Listed in the purchasing power factors table on pages 6–8. Choose the purchasing power factor for the year the benefit began.
- Initial benefit amount: Identified by “Initial Date/Allow” on the direct deposit advice or check stub just below the Client ID.
- Current benefit amount: The sum of your “Normal Allow” and “COLA” on the direct deposit advice or check stub.

Note: Due to legislative constraints, not all cost-of-living and minimum guarantee increases are used when determining the current benefit to be used in calculating the supplemental benefit. The current allowance shown on your direct deposit advice or check stub is for estimation purposes only.

Example

Benefit effective date: July 1, 1988

Initial benefit amount: $1,000.00

Purchasing power factor: 2.817

Current benefit amount: $1,720.00

Step 1	2.817 Purchasing power factor for the year the benefit began				
Step 2	$1,000.00 Initial monthly benefit	×	2.817 Purchasing power factor for the year the benefit began	=	$2,817.00 Fully adjusted benefit amount
Step 3	$1,720.00 Currently monthly benefit	÷	$2,817.00 Fully adjusted benefit amount	=	61.06% Purchasing power percentage of current benefit amount

Clear form

Worksheet

Benefit effective date: ______________ Initial benefit amount: ______________

Purchasing power factor: ______________ Current benefit amount: ______________

Step 1

______________				
Purchasing power factor for the year the benefit began				

Step 2

______________	×	______________	=	______________
Initial monthly benefit		Purchasing power factor for the year the benefit began		Fully adjusted benefit amount

Step 3

______________	÷	______________	=	______________
Current monthly benefit		Fully adjusted benefit amount		Purchasing power percentage of current benefit amount

Note: If the purchasing power percentage of your current benefit amount is greater than 85%, no supplemental payments will be paid.

Determine the total quarterly supplemental payment

Example

Step 1	$2,817.00	×	85%	=	$2,394.45
	Fully adjusted benefit amount		Purchasing power percentage		Benefit amount with 85% purchasing power
Step 2	$2,394.45	–	$1,720.00	=	$674.45
	Benefit amount with 85% purchasing power		Current monthly benefit		Monthly supplemental payment amount
Step 3	$674.45	×	3	=	$2,023.35
	Monthly supplemental payment amount		Number of months in a quarter of a year		Total quarterly supplemental payment amount

$2,023.35 is the total quarterly supplemental payment amount paid on October 1, 2024, January 1, 2025, April 1, 2025, and July 1, 2025.

Clear form

Note: The supplemental payment monthly amount is the amount needed to restore 85% purchasing power for the current benefit.

Worksheet

Step 1

______________	×	85% ______________	=	______________
Fully adjusted benefit amount		Purchasing power percentage		Benefit amount with 85% purchasing power

Step 2

______________	–	______________	=	______________
Benefit amount with 85% purchasing power		Current monthly benefit		Monthly supplemental payment amount

Step 3

______________	×	3 ______________	=	______________
Monthly supplemental payment amount		Number of months in a quarter of a year		Total quarterly supplemental payment amount