



Proposed 2024–25 Operating Budget

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2024–25 Budget in Brief

CalSTRS' 2022–25 Strategic Plan lays out a set of goals and measurable objectives that define how our mission and vision will advance through 2025. This is a long-term endeavor, requiring comprehensive and sustainable solutions for today and many years to come. Accordingly, CalSTRS' proposed 2024–25 budget incorporates these goals and objectives by developing a detailed operational and financial plan to deliver on annual and long-term objectives and targets.

Aligned with these objectives, CalSTRS' proposed 2024–25 budget fosters continued **Pension Solution Project** implementation efforts, and **Administrative and Operational Support and Compliance and Risk Management** activities to address strategic priorities and enterprisewide growth. This includes funding for an additional 12 authorized positions dispersed across the organization.

Moreover, this budget includes adjustments for **Other Budgetary Changes** that represent adjustments for standard nondiscretionary expenditures that occur routinely each year. This includes funding for State Mandated adjustments to employee compensation and the Pro Rata Assessment issued by the Department of Finance (DOF) for the cost of providing central administrative services, and the fourth year of scheduled expenditures for the continued implementation of the Multi-Year Internal Investment Management Plan (Investment Management Plan), in support of the CalSTRS Collaborative Model.

As a result, CalSTRS' total 2024–25 budget is projected at \$953.8 million and includes 1,401 authorized positions. Of this amount, \$342.8 million is for External Investment Management,¹ and \$611.0 million represents the proposed Operating Budget, which reflects a net increase of \$135.3 million, or 28%, compared to the 2023–24 Operating Budget, which is primarily due to the Pension Solution Project budget augmentation.

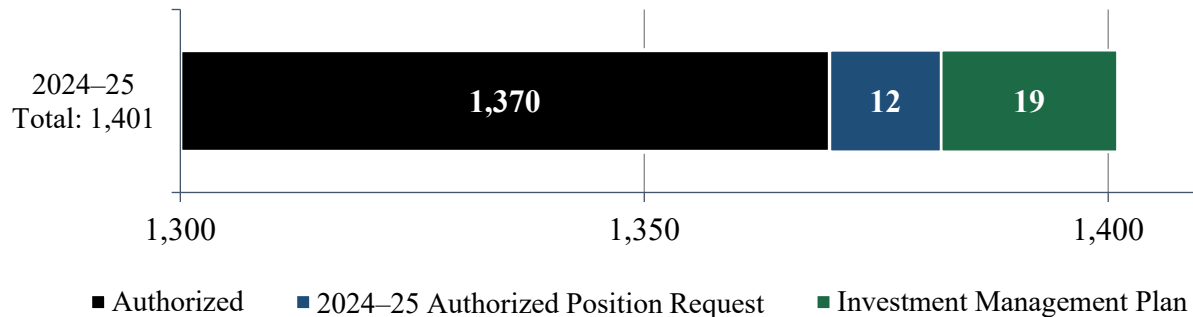
¹ External Investment Management fees are largely correlated to the value of assets under management and investment returns, and are continuously appropriated. Continuous appropriations represent statutory expenditure authorization that exists from year to year without further legislative or board action.

The following table summarizes CalSTRS’ prior year actuals, the 2023–24 and 2024–25 total budget, and highlights changes by budget category between fiscal years 2023–24 and 2024–25.

Three-Year Overview^{2,3}
(dollars in millions)

Budget Category	Actual 2022–23	Revised 2023–24	Proposed 2024–25	\$ Change	% Change
Operating Budget					
Salaries	\$145.7	\$191.4	\$231.3	\$39.9	21%
Benefits	69.3	85.6	107.8	22.2	26%
Operating Expenses and Equipment	139.0	198.7	271.9	73.2	37%
Total Operating Budget	354.0	475.7	611.0	135.3	28%
External Investment Management ⁴	218.6	323.8	342.8	19.0	6%
Total Budget	\$572.6	\$799.5	\$953.8	\$154.3	19%

The proposed 2024–25 Operating Budget includes 1,401 authorized positions, reflecting an increase of 31 positions to CalSTRS’ workforce, or 2%, relative to the 2023–24 Operating Budget. This includes a request to establish 12 authorized positions referenced above, and 19 authorized positions previously approved as part of the Investment Management Plan. A breakout of authorized positions by branch is provided in *Appendix 2*.



Proposed 2024–25 Operating Budget Changes – \$135.3 million

As displayed above, the proposed 2024–25 Operating Budget is \$611.0 million, which reflects a total net increase of \$135.3 million, or 28%, compared to the 2023–24 Operating Budget. The total net increase of \$135.3 million is composed of \$118.6 million in additional one-time budget authority for the Pension Solution Project, \$1.9 million to establish 12 authorized positions, and \$14.8 million for Other Budgetary Changes as follows:

² The proposed 2024–25 Operating Budget by fund is provided in *Appendix 1*.

³ The 2023–24 board-approved Operating Budget was revised in the amount of \$87.2 million for the Pension Solution Project. Additional information is provided in the March 2023, Teachers’ Retirement Board Item [#8 - Pension Solution Project Update and Budget Adjustment](#).

⁴ External Investment Management fees do not require board approval and are presented for information purposes.

Pension Solution Project – \$118.6 million

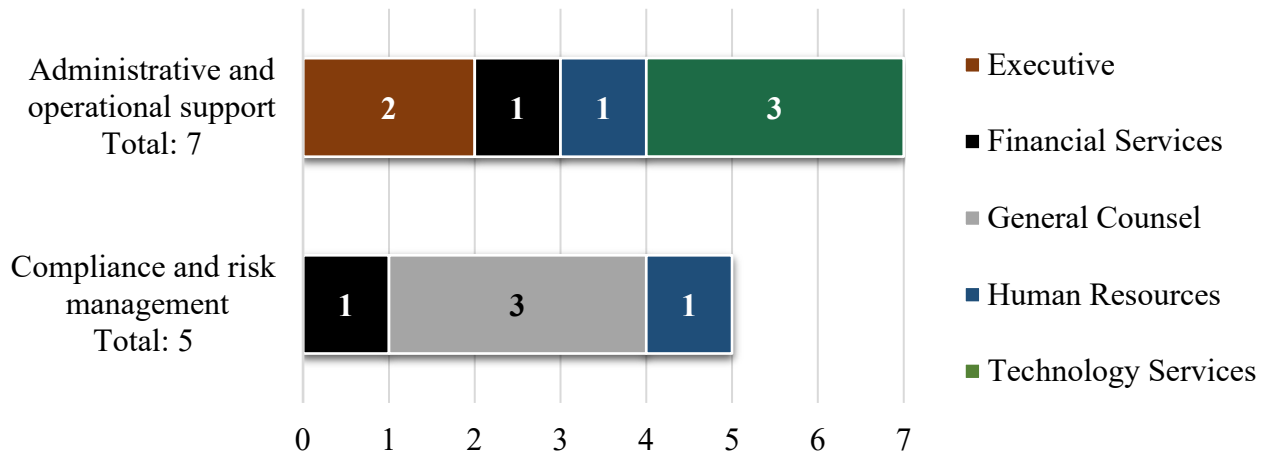
Consistent with Strategic Goal 2, Objective A, CalSTRS continues to make progress to implement and integrate a highly adaptive pension administration system to modernize transactional capabilities.

In alignment with these priorities, the proposed 2024–25 Operating Budget includes a request for \$205.8 million in one-time budget authority to complete the Pension Solution Project. This funding will support CalSTRS project team, contractors and technology administration. This funding would be effective July 1, 2024, and available for encumbrance or expenditure through June 30, 2027, and for liquidation through June 30, 2029. In addition, this request includes an extension of the existing Pension Solution Project budget appropriations to align with these new encumbrance and liquidation periods. This assumes the board approves the Pension Solution Project budget augmentation presented in the November 2023, Teachers’ Retirement Board Item #8–*Pension Solution Project Update and Contract and Budget Augmentation Approvals*.

The \$205.8 million is partially offset by an \$87.2 million reduction for one-time project funding approved in fiscal year 2023-24. Note: This is not a reduction to the overall Pension Solution Project budget. This only represents a decrease to the 2024–25 Operating Budget due to the reversal of the one-time, prior year expenditures. With this adjustment, the total net increase to the operating budget is \$118.6 million.

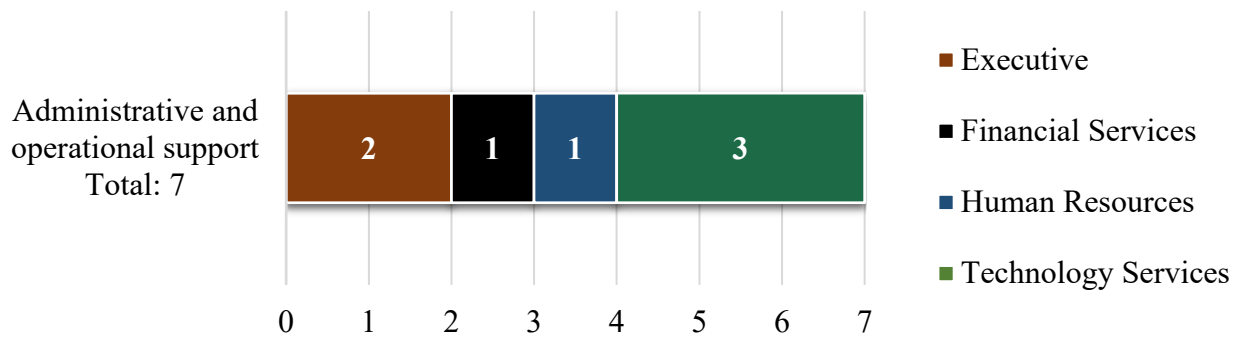
Administrative and Operational Support and Compliance and Risk Management – \$1.9 million, 12 positions

Ensuring the system is adequately resourced is an essential component to successfully advance CalSTRS’ mission, vision and strategy. Consistent with this vision, the proposed 2024–25 Operating Budget includes \$1.9 million to establish 12 authorized positions, for administrative and operational support and compliance and risk management functions, to address strategic priorities and enterprisewide growth. The following chart displays the total authorized position request by function and business area.



Administrative and Operational Support – \$1.1 million, 7 positions

Administrative and operational support functions play an integral role in maintaining our core business functions as the enterprise grows. These seven positions will be dispersed across four business areas (*Executive–2, Financial Services–1, Human Resources–1, Technology Services–3*) to support increased administrative and operational workload demands, as displayed in the following chart.

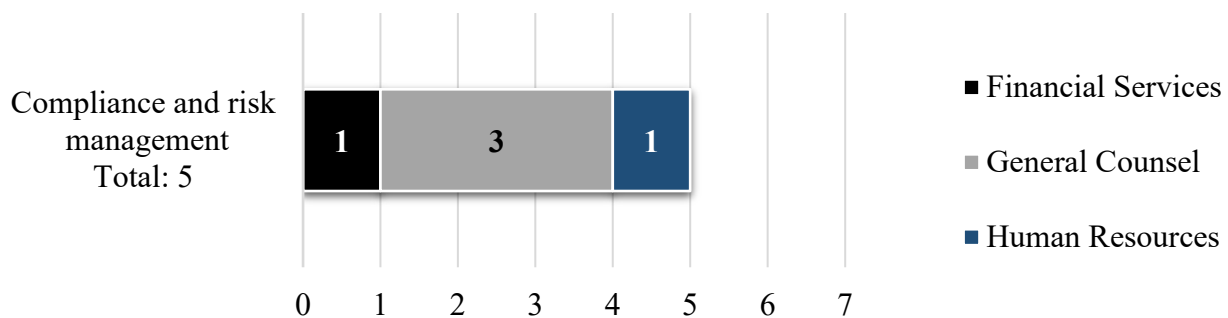


These positions will perform the following key tasks:

- Provide audio and visual support for the headquarters and member service center locations, process IT service, change and incident requests to support critical business applications, and assist with various project management activities.
- Perform various administrative and clerical support activities, including management and coordination of travel, meetings, and trainings.
- Evaluate and enhance enterprisewide performance measurement activities, develop metrics and reporting to monitor organizational health and performance.
- Review member refund applications, process member refund payments, perform various accounting reconciliation and analysis activities, and review, research and respond to member refund inquiries.
- Enhance leadership onboarding and development programs including integration of diversity, equity, and inclusion strategies, collect data, develop reports, and perform best practices research.

Compliance and Risk Management – \$800 thousand, 5 positions

It is vital for CalSTRS to have proper resourcing for securing and maintaining the confidentiality and integrity of data and ensuring the organization adheres to compliance requirements, including laws, regulations, policies, processes, procedures, and administrative directives. To help mitigate information security, operational, financial, legal, and reputational risks to the organization, five positions are being requested for three business areas (*Financial Services–1, General Counsel–3, Human Resources–1*) as displayed in the following chart.



These positions will perform the following key tasks:

- Manage information security defense and monitoring activities, including audit life-cycle activities, third-party reviews, and oversight of cloud technology environments to ensure compliance with information security laws, regulations, policies, standards, and guidelines.
- Track legal and regulatory requirements, update internal policies and processes, monitor regulatory compliance and risk exposure, test compliance activities, and help with developing risk mitigation plans.
- Administer processing and review of Public Records Act requests, subpoenas, and Form 700 and 600 filings to ensure compliance with laws, regulations, policies, processes, procedures, and directives.
- Conduct confidential investigations for Equal Employment Opportunity and performance-related violations, document and report case investigation activities and findings, and provide recommendations to ensure compliance with laws, regulations, policies, and rules in the workplace.

Other Budgetary Changes – \$14.8 million, 19 positions

Other Budgetary Changes represent adjustments for standard nondiscretionary expenditures that occur routinely each year. These adjustments reflect an increase of \$14.8 million.

State Mandates – \$8.2 million

- **Pro Rata Assessment:** CalSTRS is required by the DOF to contribute on a pro rata basis for the cost of central administrative services. The Pro Rata Assessment represents General Fund recoveries of shared statewide general administrative costs from departments that benefit from shared services. This proposal requests a net increase of \$1.0 million for the 2024–25 assessment.
- **Employee Compensation:** Total employee compensation adjustments reflect an estimated increase of \$7.2 million for salaries and benefits, primarily composed of 3.0% for general salary increases, and 5.0% for merit salary adjustments for eligible employees.⁵

Multi-Year Internal Investment Management Plan – \$6.6 million, 19 positions

- The Investment Management Plan reflects an increase of \$6.6 million to establish 19 authorized positions for the fourth year of implementation, which was approved as part of the 2021–22 Operating Budget in support of CalSTRS Collaborative Model as part of our cost savings initiative. Additional details are provided in *Appendix 3*.

Additional Budget Authority

Additional budget authority for the proposed 2024–25 Operating Budget is requested for unanticipated expenditures. This authority is requested as part of the Operating Budget each year.

Teachers' Retirement Fund Support Appropriation Savings

Pursuant to [*Appendix III.1 of the Teachers' Retirement Board Governance Manual*](#), if CalSTRS ends the year with savings in the Teachers' Retirement Fund (TRF) Support Appropriation, up to 3% of the operating budget can carry over into a future fiscal year. These savings are available for expenditure for two years after the initial year of appropriation, upon board approval, and would be used for unanticipated system costs and to promote better service to the system's membership. Staff requests the board to authorize the availability of up to 3%, or \$10.5 million of the \$350.6 million 2024–25 TRF Support Appropriation. Additional details regarding the TRF are provided in *Appendices 1 and 4*.

⁵ Employee compensation adjustments are based on the current [*collective bargaining agreement*](#) between the SEIU Local 1000 and the State.

Teachers' Deferred Compensation Fund Budget Authority

The Teachers' Deferred Compensation Fund (TDCF) is used to account for ancillary activities associated with deferred compensation plans and programs to enhance the tax-deferred financial options. If sufficient cash revenue is generated to support expansion of the program, staff requests the board approve additional budget authority of up to 5%, or \$105.5 thousand over the proposed baseline TDCF budget of \$2.1 million. The additional authority would be used only as needed for unanticipated expenditures. Additional details regarding the TDCF are provided in *Appendices 1 and 4*.

Proposed 2024–25 Operating Budget Revision Authority

If the 2024–25 Operating Budget requires revision for mandatory adjustments to statewide administrative expenditures, or as required by the Administration, staff is requesting authorization to revise the 2024–25 Operating Budget for such adjustments. Since these revisions would be mandated, staff is seeking the board's authorization to adjust the Operating Budget without further board action. In the event the 2024–25 Operating Budget is revised, staff will inform the board outlining the revisions.



Proposed 2024–25 Operating Budget Appendices

Appendices

In addition to the analyses provided in the agenda, the following appendices are attached to provide supplemental information about CalSTRS’ prior year expenditures, the revised 2023–24 and the proposed 2024–25 Operating Budgets.

Appendix 1

Operating Budget by Fund

CalSTRS administers a hybrid retirement system consisting of a defined benefit plan, cash balance and two defined contribution plans, a postemployment benefit plan and a fund used to account for ancillary activities associated with the deferred compensation plans and programs. The Teachers’ Retirement Law (Education Code section 22000 et seq.), as enacted and amended by the California Legislature and the Governor, established these plans and CalSTRS as the administrator. Accordingly, the proposed 2024–25 Operating Budget is administered through the TRF, TDCF and the Teachers’ Health Benefits Fund (THBF).

Teachers’ Retirement Fund

The TRF was established by California Education Code section 22400 and is the largest fund CalSTRS administers. It is a multiple-employer, cost-sharing defined benefit plan composed of the Defined Benefit, Defined Benefit Supplement, Cash Balance Benefit, and the Purchasing Power Protection program. The majority of CalSTRS’ operational expenses are sourced from the TRF, which includes 1,390 authorized positions.

Teachers’ Retirement Fund⁶
(dollars in thousands)

Budget Category	Actual 2022–23	Revised 2023–24	Proposed 2024–25	\$ Change	% Change
Salaries	\$144,719	\$190,167	\$230,052	\$39,885	21%
Benefits	68,694	84,835	107,039	22,204	26%
Operating Expenses and Equipment	138,596	197,486	270,811	73,325	37%
Total Budget	\$352,009	\$472,488	\$607,902	\$135,414	29%

Teachers’ Deferred Compensation Fund

The TDCF was established pursuant to Education Code section 24976 and is used to account for ancillary activities associated with deferred compensation plans and programs offered by CalSTRS to enhance the tax-deferred financial options for members and their beneficiaries. The TDCF includes eight authorized positions.

⁶ The projected net increase in the TRF is due to the additional one-time budget authority requested for the Pension Solution Project, 31 authorized positions, and Other Budgetary Changes.

Teachers’ Deferred Compensation Fund
(dollars in thousands)

Budget Category	Actual 2022–23	Revised 2023–24	Proposed 2024–25	\$ Change	% Change
Salaries	\$684	\$846	\$884	\$38	4%
Benefits	387	518	533	15	3%
Operating Expenses and Equipment	266	719	694	(25)	(3%)
Total Budget	\$1,337	\$2,083	\$2,111	\$28	1%

Teachers’ Health Benefits Fund

The THBF is used to administer a cost-sharing, multiple-employer other postemployment benefit plan known as the Medicare Premium Payment (MPP) Program. The program was established pursuant to Education Code section 25930. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. Members who enrolled in Medicare after July 1, 2012, are not eligible for CalSTRS’ payment of late enrollment surcharges. Also, members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program. The THBF includes three authorized positions.

Teachers’ Health Benefits Fund
(dollars in thousands)

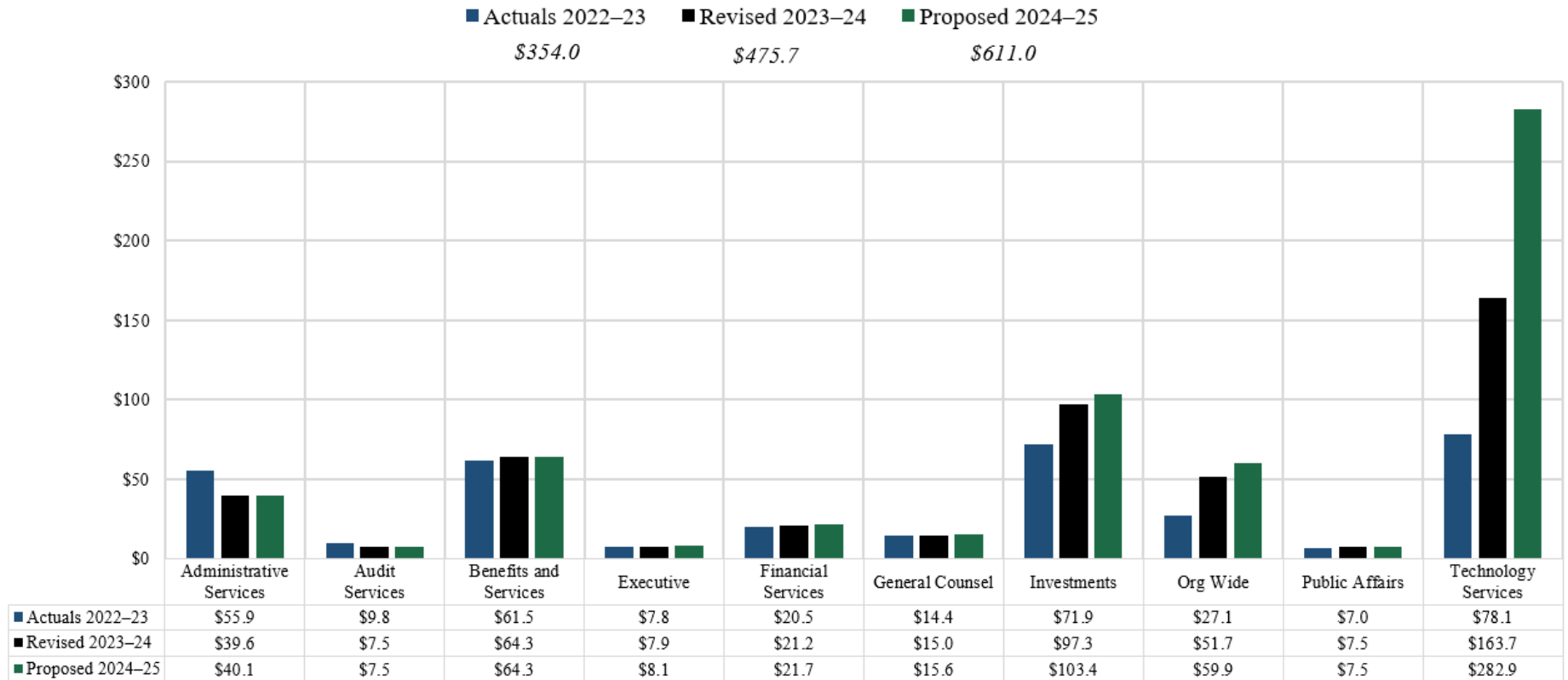
Budget Category	Actual 2022–23	Revised 2023–24	Proposed 2024–25	\$ Change	% Change
Salaries	\$314	\$417	\$382	(\$35)	(8%)
Benefits	178	271	244	(27)	(10%)
Operating Expenses and Equipment	183	444	388	(56)	(13%)
Total Budget	\$675	\$1,132	\$1,014	(\$118)	(10%)

Appendix 2

Operating Budget and Authorized Positions by Branch

CalSTRS is divided into functional areas, each referred to as a branch. Within each branch are business areas. Each branch has a corresponding functional budget. The following chart displays CalSTRS’ actuals for the 2022–23, the revised 2023–24 and the proposed 2024–25 Operating Budgets. This includes salaries, benefits, and operating expenses and equipment.

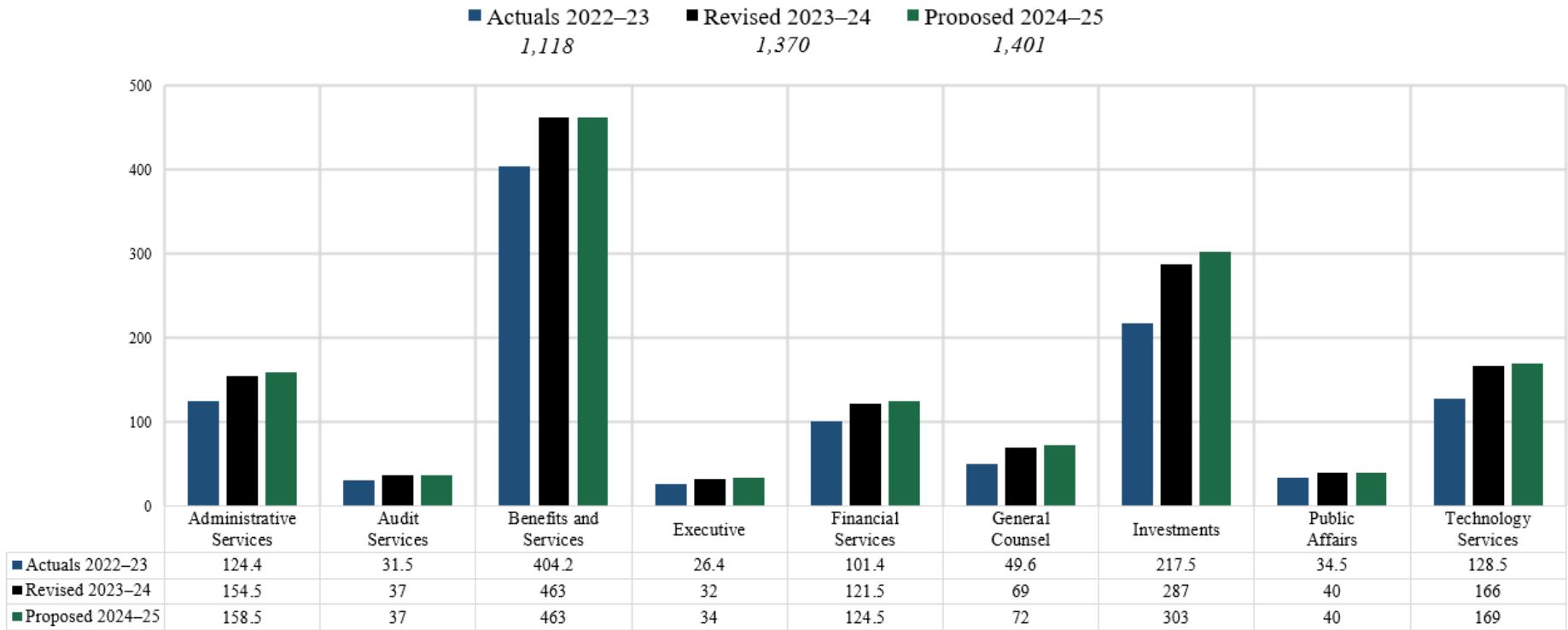
Operating Budget by Branch⁷
(dollars in millions)



⁷ The Technology Services branch includes \$205.8 million in one-time funding for the Pension Solution Project.

CalSTRS total workforce by branch is displayed in the following chart. The proposed 2024–25 Operating Budget has 1,401 authorized positions, reflecting an increase of 31 positions to CalSTRS’ workforce, or 2%, relative to 2023–24. This includes a request for 12 new authorized positions and 19 positions approved as part of the Investment Management Plan.

Authorized Positions by Branch



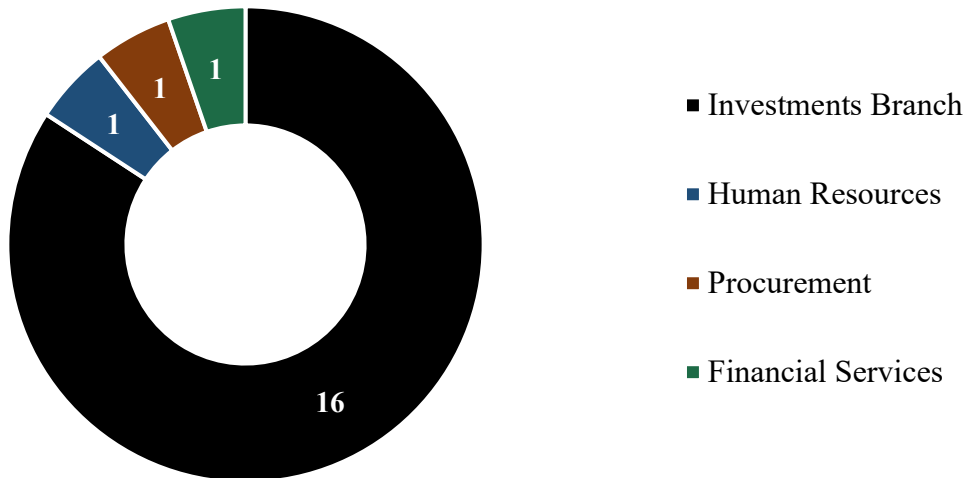
Appendix 3

Multi-Year Internal Investment Management Plan

The 2024–25 Operating Budget includes \$6.6 million to establish 19 authorized positions previously approved as part of the Multi-Year Investment Management Plan. This was approved as part of the 2021–22 Operating Budget, in support of CalSTRS’ Collaborative Model as part of our cost savings initiative.

The following chart displays the 19 authorized positions approved for fiscal year 2024–25, dispersed by business area.

2024–25 Authorized Positions by Business Area



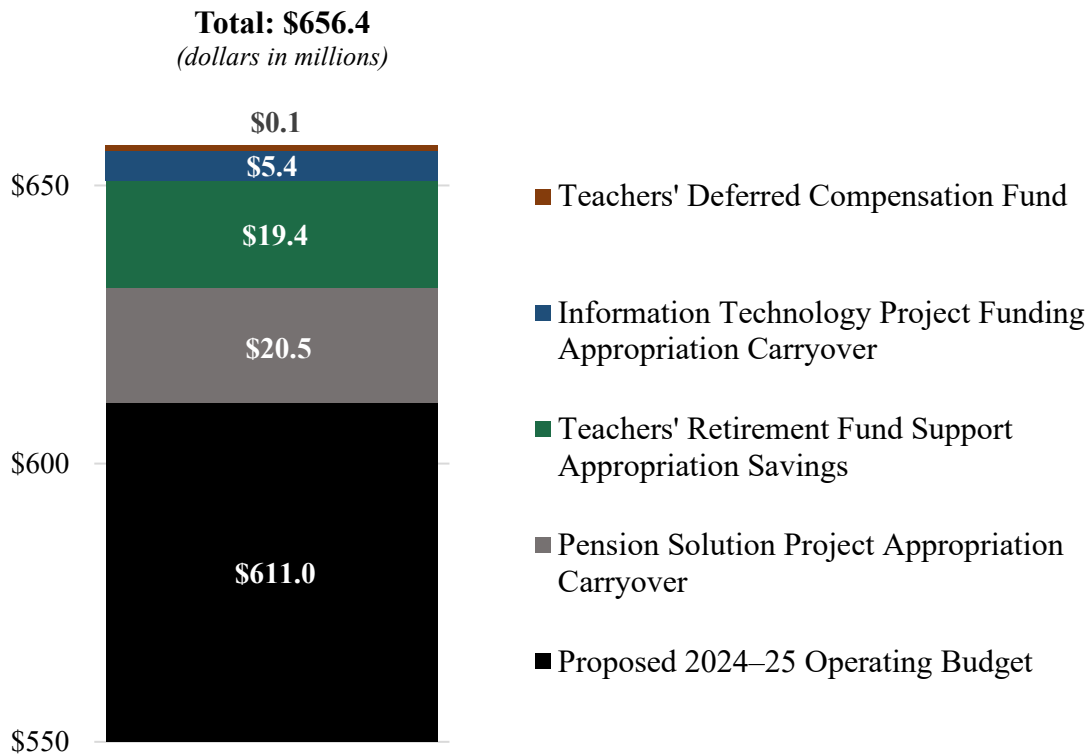
Appendix 4

Other Budget Detail

Sources of Spending Authority above the 2024–25 Operating Budget

Upon board approval, CalSTRS can expend up to \$611.0 million in fiscal year 2024–25. Moreover, CalSTRS has additional spending authority resulting from prior board approvals, also available for expenditure in fiscal year 2024–25. As a result, CalSTRS can end the year with total expenditures greater than the proposed 2024–25 Operating Budget. The primary sources of additional spending authority consist of additional budget authority for the TDCF, the TRF Support Appropriation savings, and Information Technology Project Funding (ITPF) and Pension Solution Project appropriation carryovers.

As summarized in the following chart, total estimated spending authority above the 2024–25 Operating Budget is currently projected at \$45.4 million. Based on these estimates, CalSTRS can expend up to \$656.4 million in fiscal year 2024–25. Additional details are provided below.



Teachers' Deferred Compensation Fund – \$105,500

As discussed in the *Additional Budget Authority* section, staff requested additional budget authority of up to 5%, currently estimated at \$105.5 thousand for the TDCF in 2024–25. The additional spending authority is only accessible if sufficient cash revenues are generated to support an expansion of the program, only as needed for unanticipated expenditures.

Information Technology Project Funding Appropriation Carryover – \$5.4 million

CalSTRS' baseline Operating Budget includes an annual ITPF appropriation of \$18.5 million for enterprisewide projects as authorized by Enterprise Program Investment Council (EPIC). Pursuant to the annual Budget Act, each year this amount is available to encumber for up to three years, and two additional years for liquidation. Funds not encumbered in the initial fiscal year are carried over for up to two fiscal years and can be designated to projects authorized by EPIC. Based on our current project plans and estimates, \$5.4 million is available to encumber by June 30, 2026, and through June 30, 2028, to liquidate. The funds will be utilized as projects are approved by EPIC.

Teachers' Retirement Fund Support Appropriation Savings – \$19.4 million

Pursuant to Appendix III.1 of the [*Teachers' Retirement Board Governance Manual*](#), if CalSTRS ends the year with savings in the TRF Support Appropriation, up to 3% of the Operating Budget can carry over into a future fiscal year. These savings are available for expenditure for two years after the initial year of appropriation, upon board approval. These savings would be used for unanticipated system costs and to promote better service to the system's membership. Upon board approval, the 2022–23 Budget Act provides \$9.3 million is available to encumber by June 30, 2025, and through June 30, 2027, to liquidate; and the 2023–24 Budget Act provides \$10.1 million is available to encumber by June 30, 2026, and through June 30, 2028, to liquidate.

Pension Solution Project Appropriation Carryover – \$20.5 million

Of the current \$422.0 million Pension Solution Project budget, \$20.5 million represents the carryover budget authority from previously approved Pension Solution Project budget appropriations. An extension of the encumbrance and liquidation periods is requested as part of the proposed 2024–25 Operating Budget, from June 30, 2025, and June 30, 2027, to June 30, 2027, and June 30, 2029, respectively. The project will use these carryover balances by the respective dates.

Operating Budget by Appropriation

The following table displays the proposed 2024–25 Operating Budget and key differences compared to what is anticipated for inclusion in the Budget Act of 2024.⁸ The Budget Act is primarily composed of the annual TRF support and the ITPF appropriations.⁹ The Budget Act does not include direct transfers, other continuous appropriations, or the TDCF and the THBF budget. Direct transfers include the Pro Rata Assessment and Senate Bill 84 ([Chapter 50, Statutes of 2017](#))¹⁰ loan repayment, which are assessed by the DOF for all state agencies. Other continuous appropriations are primarily composed of budget for fiduciary insurance, investment audits, capital improvements, and the Sustainable Investment and Stewardship Strategies division, within the Investments Branch.

Proposed 2024–25 Operating Budget by Appropriation
(dollars in thousands)

Category	\$ Amount
Budget Act	
Teachers' Retirement Fund Support Appropriation	\$350,582
Information Technology Project Funding	224,337
Total Budget Act	574,919
Direct Transfers	19,612
Other Continuous Appropriations	13,371
Total Teachers' Retirement Fund	607,902
Teachers' Deferred Compensation Fund	2,111
Teachers' Health Benefits Fund	1,014
Total Operating Budget	\$611,027

⁸ Additional information regarding the [Budget Act](#) can be found on the DOF website.

⁹ The Information Technology Project Funding appropriation includes \$205.8 million in one-time funding for the Pension Solution Project, and \$18.5 million for enterprise projects as authorized by EPIC.

¹⁰ SB 84 authorized a \$6 billion supplemental payment from the state's Surplus Money Investment Fund to the California Public Employees' Retirement System to reduce long-term retirement contribution rates for all state agencies. Effective 2018–19, all state agencies are required to begin repayment of the loan.