


CALSTRS

Strategic budget considerations

July 21, 2026

CalSTRS budget overview

Revenues and expenses

CalSTRS budget overview

2026-27 total projected expenses: $26.0 billion

Benefit payments & external investment expenses

98% → **$25.6 billion**

Continuous

Administrative expenses

CalSTRS operating budget

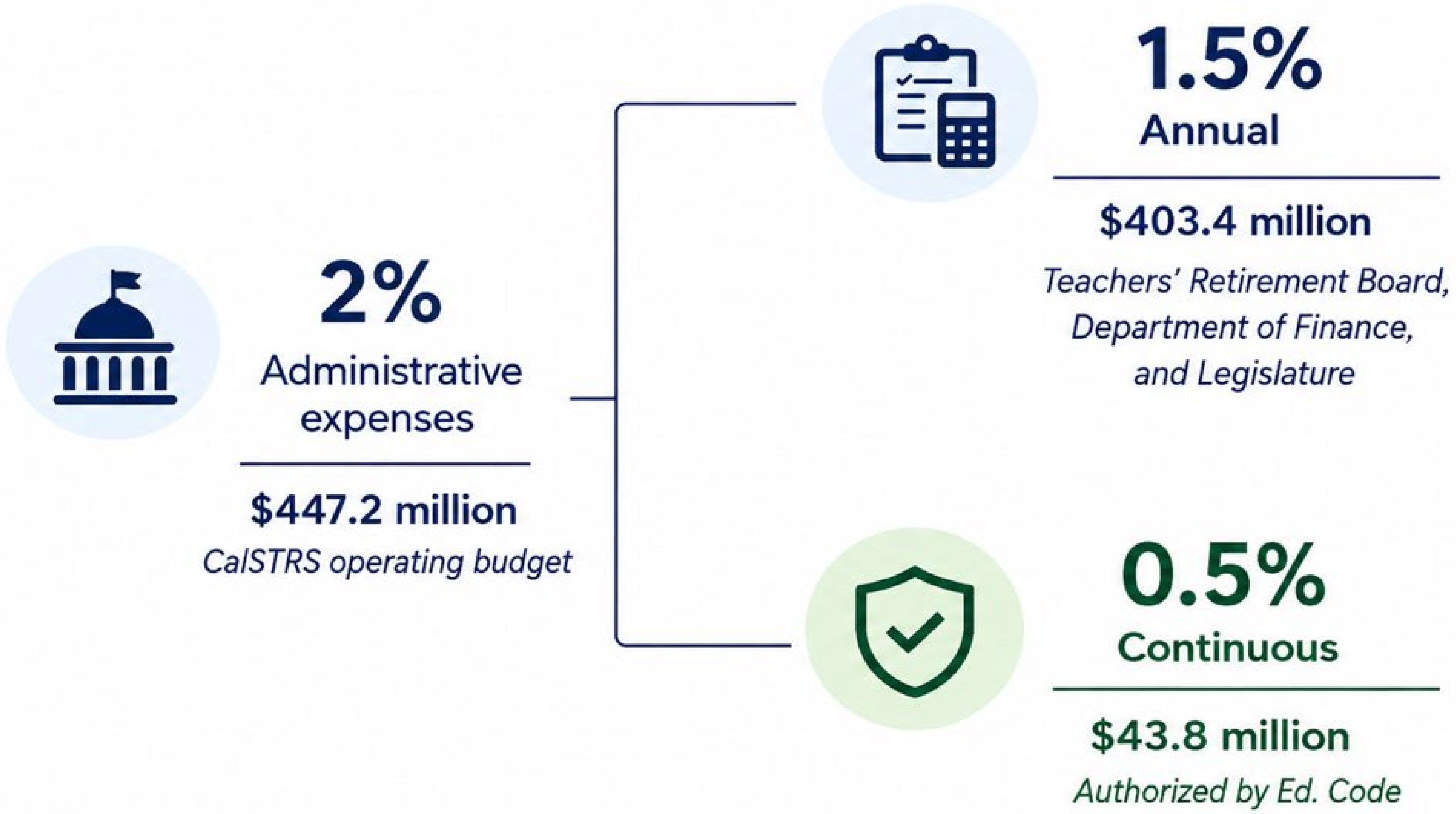
2% → **$447.2 million**

Annual and continuous

All figures are rounded for presentation purposes.

CalSTRS budget overview

Application of governance framework to 2026-27 administrative expenses



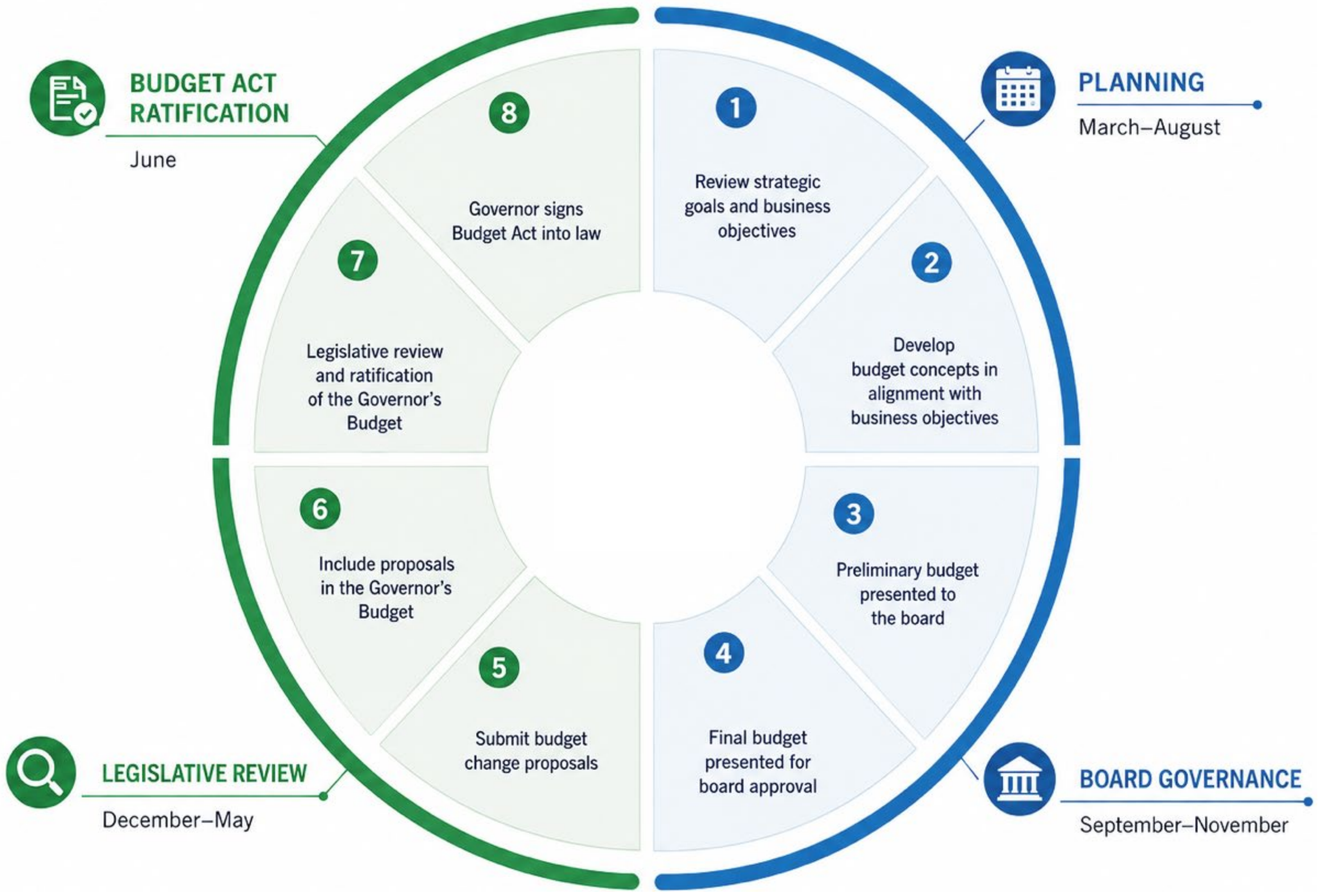
All figures are rounded for presentation purposes.

CalSTRS budget overview

Annual budget process

Steps 1–4: CalSTRS planning and Board approval

Steps 5–8: State budget process



Looking back: A larger more complex organization

How we’ve grown

	2015–16	2025–26	Change
MEMBERSHIP	914K	1,075K*	+161K +18%
AUM	$189B	$417B**	+$228B +121%
POSITIONS	1,022	1,431	+409 +40%
OPERATING BUDGET	$272.6M	$419.0M	+$146.4M +54%
FUNDED RATIO	63.7%	79.3%**	+15.6 pts +24%

* Estimate only. Figures will change after year-end numbers are finalized.
** As of the most recent actuarial valuation dated June 30, 2025, for the Defined Benefit Program

Looking back: Significant accomplishments

BenefitConnect implementation

Launched

Now supporting core retirement administration services

Scale of use

900+ internal users

1,800 employers

280,000+ registered myCalSTRS members

Operational volume

- 9 monthly payrolls
- 4.3M payments totaling $14.4B
- 60+ weekly payrolls and 3 quarterly payrolls

Enterprise complexity: 75 interfaces | 154 workflows | nearly 500 letter templates

Looking back: Significant accomplishments

200 Waterfront campus

Opened in August 2024

Supports long-term growth by providing space for additional staff needed for growing membership, assets, and pension administration needs.

Strengthens in-house investment capacity by supporting expanded internal investment functions and long-term cost efficiency

Looking back: Significant accomplishments

CalSTRS Collaborative Model

31% lower investment costs compared to peers

$2.6B in estimated Collaborative Model Savings

For each **$1** spent on staff, CalSTRS earned **$34** in excess return

8.1% annual return over 10 years

Looking ahead: 2027-28 and beyond

BenefitConnect M&O

Internal capacity

Establish the proposed division and 39 positions to support ongoing operations.

Mandatory changes

Support required changes such as IRS tax form updates and AB 1997.

Stabilization & service

Continue stabilization, improve usability, service levels, and workload visibility.

Vendor oversight

Strengthen knowledge transfer and reduce long-term reliance on vendor support.

Resource	Cost
39 positions	$8.4
OE&E	$34.7
2027–28 Total	**$43.1M**

Looking ahead: 2027-28 and beyond

100 Waterfront modernization

$110.1M
Total Investment

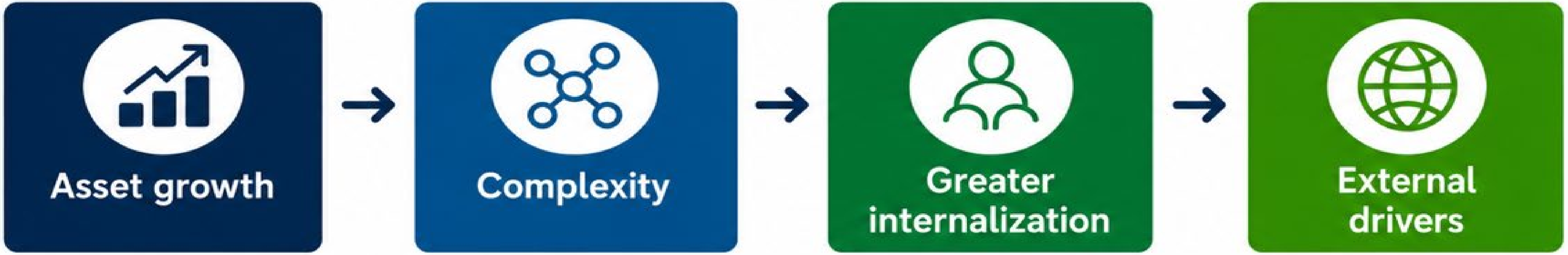
5
Phases

13
Floors

Fiscal Year	Cost
2026-27	$33.2
2027-28	$26.8
2028-29	$27.6
2029-30	$12.1
2030-31	$10.4
Total	**$110.1 million**

Looking ahead: 2027-28 and beyond

Long-term investment management



Fiscal year	2027–28	2028–29	2029–30	2030–31	2031–32	5-Year Total
Positions*	90	72	52	26	20	260
Cost *(in millions)*	$30.4	$26.3	$22.0	$8.6	$5.1	$92.4M

* Includes investment administrative support positions.

Preliminary operating budget

2027-28 projection: $572.7 million and 1,655 positions

(dollars in millions)

Budget category	2026-27	Proposed 2027-28	Change	Percent change
Total operating budget	$447.2	$572.7	$125.5	28.1%
Authorized positions	1,491	1,655	164	11.0%

The 2027-28 increase provides added resources for BenefitConnect M&O, modernization at 100 Waterfront, long-term investment management needs, and support for workload increases. It also includes funding for employee compensation adjustments and the annual Pro Rata assessment.

* Estimates for the 100 Waterfront modernization are not included in the 2026-27 operating budget.