CALSTRS

Regular Meeting

Item number 2 – Open session

Subject: Chief Executive Officer Report

Presenter(s): Cassandra Lichnock

Item type: Information

Date and time: November 5, 2026 – 15 minutes

Attachment(s): Summary of 2025-26 Business Plan accomplishments

PowerPoint presentation(s): None

BenefitConnect update

In September, we handled the highest number of customer calls with the fastest speed to answer since go-live. We still see peak volume days around monthly payroll and quarterly SBMA payments that impact our capacity and ability to maintain that same improved level of service. Management continues to monitor staffing and workforce planning to mitigate those impacts, and we have multiple improvements planned or implemented that will improve the time it takes to answer member questions. Staff is focused on the final stages of development, testing and preparing the Retirement Progress Reports (the first time from BenefitConnect), and expect the reports to be produced before the November board meeting. Stabilization efforts continue in areas that have backlogs, with specific attention on survivor benefit processing. Other areas, such as refunds and service credit purchases, that previously had backlogs have seen improvement and are trending towards more consistent, timely processing. Additional staff hired to support the member service centers and the contact center have either joined teams in production or are in various stages of new employee training.

2025-26 Business Plan year-end status

To accomplish the objectives of the board's strategic plan, staff create an annual business plan with specific initiatives we will accomplish and key activities along the way. June 30, 2026, marked the end of the *2025–26 Business Plan*.

The attached summary shows the year-end status of each initiative we undertook last year. I am pleased to report that we completed nine initiatives. Most of our remaining initiatives, which are slated to occur over multiple years, are on track. Two of our initiatives—implementing a treasury

management system and expanding our implementation of zero-trust architecture—experienced setbacks last year. Under the current year business plan, we're proceeding with a revised work plan to implement a treasury management system and a cross-functional project to establish a path to further expand our zero-trust architecture. We continue to closely monitor setbacks as they emerge and seek creative solutions to move forward, keeping the board informed along the way.

Inflation and Supplemental Benefit Maintenance Account Update

CalSTRS has two benefit provisions that protect members and their beneficiaries from the loss of purchasing power due to inflation. The first level of inflation protection is the annual simple benefit adjustment, which provides a 2% increase to a member's monthly pension every September 1 following the one-year anniversary of retirement. This increase is based on the initial allowance, is not compounded as benefits increase, and is granted each year regardless of the level of inflation.

The Supplemental Benefit Maintenance Account (SBMA) is the second level of inflation protection. This benefit was created specifically to provide inflation protection and limit the loss of purchasing power of CalSTRS retirees and their beneficiaries. It is tied directly to actual inflation. The SBMA currently provides supplemental payments to maintain 85% of the purchasing power of a member's initial retirement allowance. SBMA eligibility is determined on a fiscal year basis. The purchasing power calculation is done for each member and compares the actual benefit the member will be receiving after the application of the September 1 annual benefit adjustment to the benefit the member would be receiving had the benefit been fully indexed with inflation. A member is deemed to be eligible to receive a payment from the SBMA if the current monthly benefit is below 85% of the fully indexed benefit.

SBMA payments are made quarterly. The first payment of each fiscal year is made on October 1 with subsequent payments made on January 1, April 1, and July 1. SBMA payments are in addition to the simple benefit adjustment. Newly eligible members receive a letter from CalSTRS confirming their SBMA eligibility. This is an automated process; members do not need to contact CalSTRS to enroll.

For SBMA purposes, inflation is determined using the All-Urban California Consumer Price Index published by the California Department of Industrial Relations. As required by law, CalSTRS measures inflation each fiscal year by comparing the California CPI for the month of June across successive years.

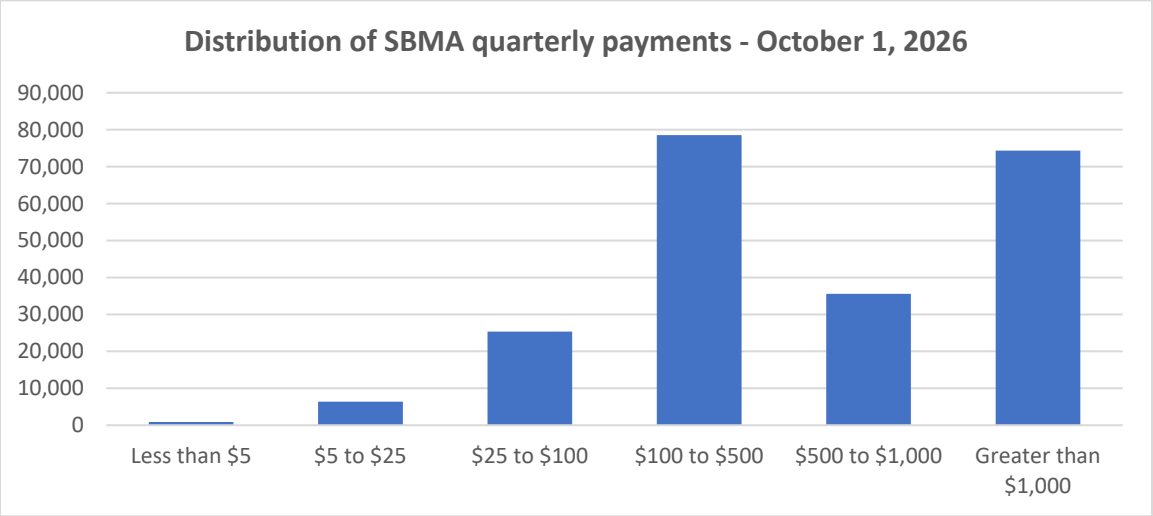
For fiscal year 2025-26, California inflation was 3.38%. This marked the sixth year in a row inflation exceeded CalSTRS' assumed long-term rate of inflation of 2.75%. Over those six years, inflation has averaged 4.2%. Since 2021, the number of CalSTRS retirees and beneficiaries receiving an SBMA payment has increased significantly from about 68,000 to more than 221,000. This means that about 64% of all CalSTRS retirees and beneficiaries are currently receiving an SBMA benefit. This demonstrates the importance of the SBMA program in

protecting purchasing power and ensuring CalSTRS retirees and their beneficiaries can rely on a dependable income throughout retirement. For fiscal year 2026-27, approximately 44,400 CalSTRS retirees and beneficiaries have seen their purchasing power fall below 85% for the first time and received their first ever SBMA benefits on October 1, 2026.

The table below shows SBMA payment information since October 2021.

Month and year	Number of retirees and beneficiaries receiving an SBMA payment	Total SBMA 1st quarter payments	Average SBMA quarterly payment
October 2021	67,900	$63.0 million	$928
October 2022	111,680	$123.9 million	$1,109
October 2023	108,128	$163.7 million	$1,514
October 2024	142,589	$178.7 million	$1,253
October 2025	184,380	$197.3 million	$1,071
October 2026	221,046	$238.6 million	$1,079

As shown above, on October 1, 2026, 221,046 retirees and beneficiaries received an SBMA payment. The average SBMA quarterly payment was $1,079, totaling $238.6 million. The average SBMA quarterly payment for the 44,400 members who received an SBMA payment for the first time was about $146. The chart below shows the number of SBMA benefit payments made on October 1, 2026 by amount of payment.



The year in which a retired member first starts receiving a benefit from the SBMA is directly related to levels of inflation. In 2008-09, California experienced deflation (negative 1.5% inflation). In 2009-10, inflation was again low at 0.9%. In both years, inflation was lower than the 2% annual benefit adjustment, resulting in an increase in purchasing power for many members. As a result, members who retired in 2008 have a greater purchasing power than those who retired in 2009 and 2010.

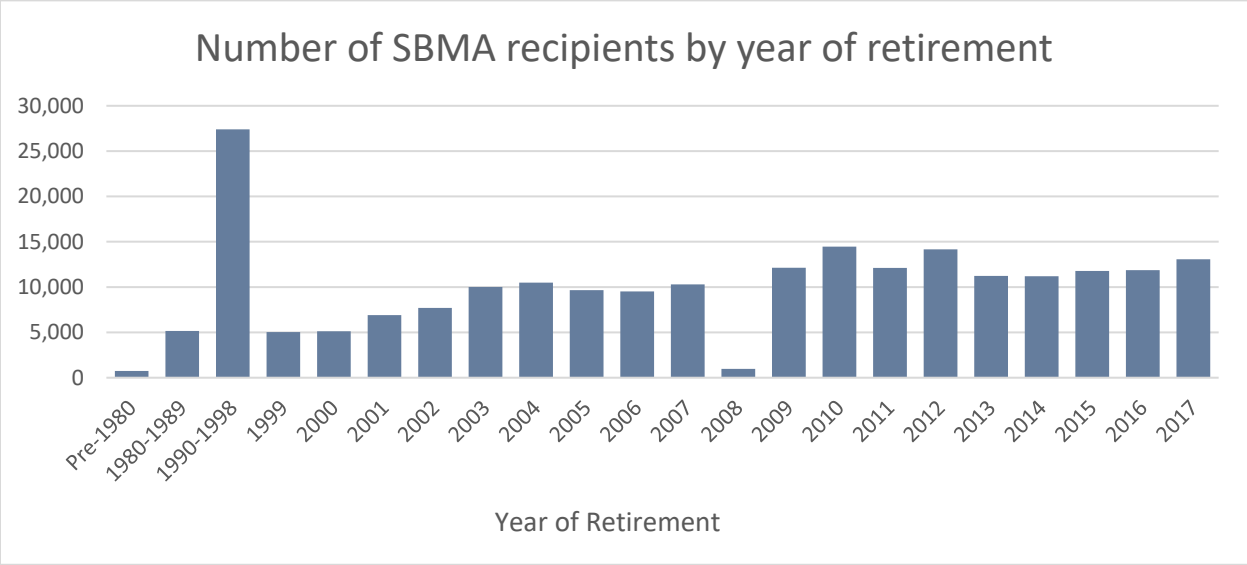
Also impacting a member's purchasing power is the timing of their first 2% annual benefit adjustment. The annual benefit adjustment is awarded every September 1 following the one-year anniversary of the member's retirement date. Members must be retired one full year before becoming eligible for the annual benefit adjustment. Due to this timing, members who retire in September through December must wait close to two years for their first annual benefit adjustment, thereby experiencing a quicker decline in purchasing power than members who retire in January through August.

In fiscal year 2026-27, members and beneficiaries who retired in 2017 or earlier are receiving SBMA with one exception: those who retired in 2008 before September. Because of deflation in California in 2008-09, this small slice of recipients has not yet seen their purchasing power fall below 85% and are not eligible to receive SBMA. The chart below shows eligibility for SBMA benefits in fiscal year 2026-27 by retirement year and month.

Members eligible for SBMA by year and month of retirement

Retirement year	Retirement month: January to August	Retirement month: September to December
2007 and earlier	Yes	Yes
2008	No	Yes
2009	Yes	Yes
2010	Yes	Yes
2011	Yes	Yes
2012	Yes	Yes
2013	Yes	Yes
2014	Yes	Yes
2015	Yes	Yes
2016	Yes	Yes
2017	Yes	Yes
2018 and later	No	No

As shown above, some members who retired as recently as December 2017 have seen their purchasing power fall below 85% and are now receiving SBMA. The chart below shows the number of members and beneficiaries receiving an SBMA payment in 2026-27 by year of retirement.



Staff continues to monitor inflation levels and their impact on the SBMA. Every two years an actuarial projection of the SBMA is performed to evaluate the long-term sufficiency of SBMA assets and contributions. The most recent sufficiency projection was completed in May 2026.

New Director of Customer Service

After an extensive and competitive recruitment, Kim Fong was selected as the new director of Customer Service. For the last six years, Kim served as an assistant director in Customer Service and for the last four months has been in an interim role leading the area after the retirement of our previous Customer Service director. In her 15 years at CalSTRS, Kim has embraced increasingly complex responsibilities, including leading teams, developing staff, improving processes, and supporting the implementation of new technologies and ways of working. Kim and the teams she supports will be a key piece of our continued path to stabilization and improved customer experience.

Government Finance Officers Association appointment

I am pleased to announce that Art Martinez, Director of Financial Planning, Accounting & Reporting, has been appointed to serve on the Government Finance Officers Association's Accounting, Auditing & Financial Reporting Committee, a leading national advisory group guiding best practices in public-sector finance.

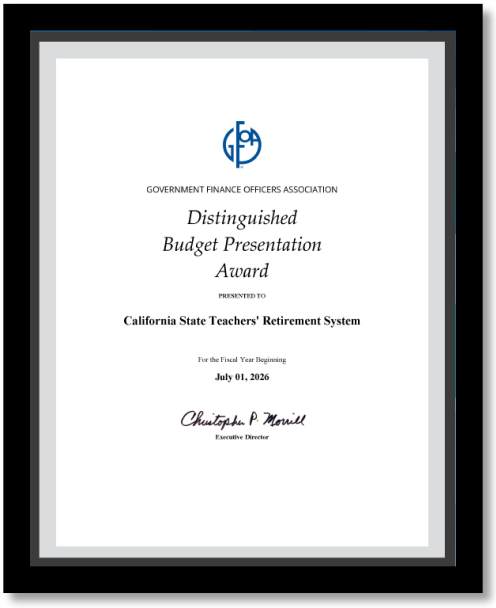
The committee brings together public finance practitioners from across the country to advance sound accounting and auditing practices, transparent financial reporting, and effective government finance. It also works closely with organizations including the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants on emerging issues affecting the profession.

This appointment, announced by GFOA leadership, recognizes Art's strong contributions to public-sector financial reporting and places CalSTRS in an important national forum shaping best practices in accounting, auditing, and financial transparency.

In this role, Art will collaborate with finance leaders nationwide, providing expert insights on evolving guidance and strengthening CalSTRS' presence in national discussions that shape the future of governmental accounting. Art will help shape GFOA best practices and policy frameworks while advancing CalSTRS' core dedication to financial transparency, strong governance, and responsible stewardship.

2026–27 Distinguished Budget Presentation Award

CalSTRS received the Government Finance Officers Association of the United States and Canada (GFOA) Distinguished Budget Presentation Award for its *2026–27 Annual Budget Report*. This prestigious award recognizes government entities that demonstrate excellence in budget presentation by meeting nationally recognized standards, which are recognized as best practices for governmental financial and budgetary reporting.



To achieve the Distinguished Budget Award, the document must serve as an operational and policy guide, financial plan and communications device. This recognition reflects CalSTRS' continued commitment to transparency, accountability, and excellence in financial planning and budget reporting.

GFOA Triple Crown Recognition

Government Finance Officers Association of the United States and Canada has recognized CalSTRS as a Triple Crown Winner for fiscal year 2023–24. GFOA's Triple Crown designation recognizes governments who have received all three GFOA awards: the Certificate of Achievement for Excellence in Financial Reporting Award or Canadian Award for Financial Reporting, Popular Annual Financial Reporting Award, and Distinguished Budget Award.



To commemorate these achievements, the GFOA provided a certificate as a testament to our commitment to producing annual reports that evidence the spirit of full disclosure and transparency. The Triple Crown designation represents a significant achievement. To qualify, an entity must meet the rigorous standards of GFOA's three distinct award programs—the Certificate of Achievement for Excellence in Financial Reporting, the Popular Annual Financial Reporting Award, and the Distinguished Budget Presentation Award, each of which honors governments that present their financial and budgetary information transparently, accurately, and in accordance with nationally recognized standards.