Milliman

# California State Teachers' Retirement Plan

## GASB 74/75 Reporting

Reporting Date: June 30, 2026

Measurement Date: June 30, 2026

Actuarial Valuation Date: June 30, 2025

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## Certification

Actuarial computations presented in this report under Statements No. 74 and 75 of the Governmental Accounting Standards Board are for purposes of assisting the California State Teachers' Retirement System (CalSTRS) and its employers in fulfilling their financial accounting requirements. No attempt is being made to offer any accounting opinion or advice. This report is for fiscal year July 1, 2025 to June 30, 2026. The measurement date for determining plan assets and obligations is June 30, 2026. The calculations enclosed in this report have been made on a basis consistent with our understanding of the plan provisions. Determinations for purposes other than meeting financial reporting requirements may be significantly different than the results contained in this report. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security or meeting employer funding requirements.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by CalSTRS staff. This information includes, but is not limited to, statutory provisions, member census data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised. Please see Milliman's June 30, 2025 Medicare Premium Payment Program funding valuation report dated April 28, 2026 for more information on the data used in the valuation, as well as a summary of the plan provisions and actuarial methods and assumptions.

All costs, liabilities, rates of interest, and other factors for CalSTRS have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of CalSTRS and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the CalSTRS MPP Program and are expected to have no significant bias. Further, in our opinion, each actuarial assumption used is reasonably related to the experience of CalSTRS and to reasonable expectations which, in combination, represent a reasonable estimate of anticipated experience.

The valuation results were developed using models employing standard actuarial techniques. The intent of the models is to estimate Medicare Part A and B annual trends and costs. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice. The models, including all input, calculations, and output may not be appropriate for any other purpose.

This report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions (except for the alternate discount rates shown in this report) is outside the scope of our engagement.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuarial assignment, we did



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not perform an analysis of the potential range of such future measurements. The Teachers' Retirement Board adopted the actuarial methods and assumptions used in the financial reporting valuation.

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a) CalSTRS may provide a copy of Milliman's work, in its entirety, to CalSTRS professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit CalSTRS.

b) CalSTRS may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third-party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their specific needs.

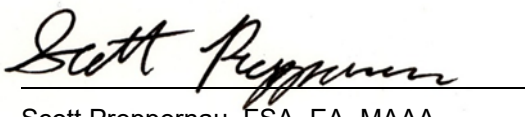
The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of CalSTRS and the plan sponsors. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct* and *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion* in the United States promulgated by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. The report uses the expertise of Milliman healthcare and retirement actuaries. Assumptions related to the healthcare trend (cost inflation) rates for the retiree Medicare premium payment program discussed in this report were determined by Milliman actuaries qualified in such matters.



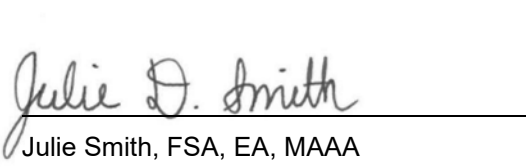
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## Overview of GASB 74 and GASB 75

GASB 74 applies to financial reporting for public OPEB plans. Note that a plan's fiscal year might not be the same as the employer's fiscal year. Even if the plan does not issue standalone financial statements, but rather is considered a trust fund of a government, it is subject to GASB 74. Under GASB 74, enhancements to the financial statement disclosures are required, along with certain required supplementary information.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.



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## Summary of Analysis Performed

We have calculated certain requested actuarial figures for CalSTRS per the Governmental Accounting Standards Board (GASB) Statements No. 74 and 75. These statements pertain to accounting and financial reporting for OPEB plans and employers.

The calculations contained in this analysis have been performed using the results of the June 30, 2025 Medicare Premium Payment (MPP) Program actuarial funding, with certain revisions to assumptions as required by GASB 74 and 75 and described later in this report. The liabilities have been projected to June 30, 2026 and combined with the actual Teachers' Health Benefit Fund (THBF) assets of June 30, 2026.

Our final deliverable product for these GASB 74/75 calculations is a formatted .CSV file with data format specifications provided by CalSTRS accounting staff. We have provided an electronic copy of this file to CalSTRS staff, in addition to this report. Please note that all certifications and limitations contained or referenced in this report also apply to this electronic deliverable file. Staff should verify consistency of numbers in the .CSV file with numbers contained in this report prior to use.

Per discussions with CalSTRS, we have performed the following analysis for the GASB Reporting Date of June 30, 2026:

1. The MPP Program benefits are effectively funded on a pay-as-you-go basis through the THBF. Therefore, we have used a discount rate of 5.20% for June 30, 2025 and 4.67% for June 30, 2026. The discount rates are based on the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as specified in GASB. The Teachers' Retirement Board has adopted the 20-Bond GO Bond Buyer Index for these purposes.
2. For purposes of determining the economic/demographic gains or losses for the year, we have recalculated the June 30, 2025 MPP Program Total OPEB Liability (TOL) using the June 30, 2025 membership data and the following assumptions and methods: a discount rate of 5.20%, the Individual Entry Age actuarial cost method, and all other assumptions and methods the same as those used in the MPP Program actuarial funding valuation as of June 30, 2024. The recalculated TOL was then compared to the June 30, 2025 TOL from the prior report in determining the relevant gain or loss.
3. We have projected the recalculated June 30, 2025 TOL described in step 2 to the June 30, 2026 reporting date. As part of the projection, we have adjusted the TOL as of June 30, 2026 to reflect the 4.67% discount rate in effect for that date.
4. We have performed a discount-rate sensitivity analysis on the Net OPEB Liability for +1% (a 5.67% discount rate) and -1% (a 3.67% discount rate) scenarios on the GASB discount rate. We have also calculated the values using the 4.67% discount rate but with +/-1% added to the assumed trend rate.
5. We have used a total average remaining service life for all MPP Program members of 1.0, since all current and potential future Program members are currently retired. This results in immediate recognition of economic/demographic (gains)/losses and assumption changes or inputs in the OPEB Expense calculation.



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6. We have provided the sources of change in the Net OPEB Liability between June 30, 2025 and June 30, 2026. These sources of change consist of: changes in benefit terms, differences between actual and expected experience (including difference in actual and expected trend), changes of assumptions, and differences between projected and actual earnings on plan investments. There is no service cost as there are no active members accruing benefits and there were no changes in benefit terms in the last year so these line items are $0.

   Assets are based on information provided by CalSTRS, which reflect the application of GASB 75 to CalSTRS as an employer participating in the State's retiree health plan.



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## Statement of Fiduciary Net Position

| | June 30, 2026 | June 30, 2025 |
|---|---|---|
| **Assets** | | |
| Investments at fair value: | | |
| Debt securities | $2,067,666 | $332,398 |
| Total investments | 2,067,666 | 332,398 |
| Cash | 636 | 480 |
| Receivables: | | |
| Interest and dividends | 14,018 | 16,500 |
| Other | 1,492 | 1,492 |
| Total receivables | 15,510 | 17,992 |
| Total assets | 2,083,812 | 350,870 |
| **Deferred outflows of resources** | 366,608 | 324,193 |
| **Total assets and deferred outflow of resources** | **2,450,420** | **675,063** |
| **Liabilities** | | |
| Net pension and OPEB liabilities | 2,395,071 | 2,312,529 |
| Other | 1,654,610 | 85,173 |
| Total liabilities | 4,049,681 | 2,397,702 |
| **Deferred inflows of resources** | 644,402 | 785,039 |
| **Total liabilities and deferred inflow of resources** | **4,694,083** | **3,182,741** |
| **Net position restricted for postemployment benefits other than pensions** | **($2,243,663)** | **($2,507,678)** |



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# Statement of Changes in Fiduciary Net Position

| | June 30, 2026 |
|---|---|
| **Additions** | |
| Contributions: | |
| Member contributions | $0 |
| Employer contributions | 20,768,061 |
| State of California/Federal Government | 0 |
| Total contributions | 20,768,061 |
| Investment income (Loss): | |
| Net appreciation (depreciation) in fair value of investments | (2,732) |
| Interest, dividends and other | 56,071 |
| Net investment income | 53,339 |
| **Total Additions** | **20,821,400** |
| **Deductions** | |
| Premiums paid | 20,077,793 |
| Administrative expenses | 479,046 |
| Other expenses | 546 |
| **Total Deductions** | **20,557,385** |
| **Net increase (decrease)** | 264,015 |
| **Net position restricted for postemployment benefits other than pensions** | |
| Beginning of year (June 30, 2025) | (2,507,678) |
| End of year (June 30, 2026) | ($2,243,663) |



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# Net OPEB Liability

| Net OPEB Liability | June 30, 2026 | June 30, 2025 |
|---|---|---|
| Total OPEB liability | $204,851,788 | $214,271,902 |
| Fiduciary net position | (2,243,663) | (2,507,678) |
| Net OPEB liability | 207,095,451 | 216,779,580 |
| Fiduciary net position as a % of total OPEB liability | -1.10% | -1.17% |
| Covered payroll[1] | $0 | $0 |
| Net OPEB liability as a % of covered payroll[1] | N/A | N/A |

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date.

## Discount Rate

| | | |
|---|---|---|
| Discount rate | 4.67% | 5.20% |
| Long-term expected rate of return, net of investment expense | 4.67% | 5.20% |
| Municipal bond rate | 4.67% | 5.20% |

The plan's fiduciary net position was not projected to be sufficient to make more than one month of future benefit payments. Therefore, the municipal bond rate is applied to all future benefit payments. The long-term expected rate of return has been set to the discount rate due to the fact that the liabilities of the fund exceed the assets leading to a negative fiduciary net position.

## Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of June 30, 2025 were based on the results of an actuarial experience study for the period July 1, 2007 - June 30, 2022.

| | | |
|---|---|---|
| Valuation date | June 30, 2025 | June 30, 2024 |
| Measurement date | June 30, 2026 | June 30, 2025 |
| Other assumptions and methods | See the 'Actuarial Methods and Assumptions for GASB Valuation' section of this report. | |

*1. There are no active employees eligible to be provided benefits through the MPP Program. Therefore, the covered payroll is $0. If expressed as a percentage of the total covered payroll for the State Teachers' Retirement Program, the net OPEB liability would be 0.42% as of June 30, 2026 and 0.45% as of June 30, 2025.*

*Note: Numbers may not add due to rounding.*



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## Discount Rate and Depletion Date Projection

The discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the OPEB plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on OPEB plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

The MPP Program benefits are effectively funded on a pay-as-you-go basis through the THBF. As the THBF has effectively been depleted as of the measurement date, the discount rate has been set to the municipal bond index because the expected long-term rate of return of the invested assets is not expected to be materially better than the municipal bond index rate. We have used a discount rate of 5.20% for June 30, 2025 and 4.67% for June 30, 2026. The discount rates are based on the municipal bond index previously discussed.



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## Total OPEB Liability and Net OPEB Liability

The June 30, 2025 MPP Program actuarial funding valuation was recalculated using the GASB discount rate of 4.67% effective as of that date. These recalculations are sometimes referred to as “financial reporting actuarial valuation” to indicate differences in methodology from regular (funding) actuarial valuation calculations. The MPP Program was valued using the Individual Entry Age actuarial cost method as specified under GASB 74/75 which is consistent with the method used for funding purposes.

The resulting liabilities were allocated to past and future service using the Individual Entry Age actuarial cost method. Since all MPP Program members are retirees, all liabilities were allocated to past service. The Total OPEB Liability is the amount of GASB valuation liability allocated to past service; therefore, it is somewhat analogous to the Actuarial Obligation figures shown in the June 30, 2025 actuarial funding valuation report. However, it will differ from those figures due to the different discount rate.

The June 30, 2025 Total OPEB Liability was then projected forward to the June 30, 2026 reporting date. An adjustment was made to the Total OPEB Liability as part of the roll-forward projection to reflect the discount rate effective June 30, 2026 of 4.67%.

The Total OPEB Liability is made up of two groups:

| | |
|---|---|
| Current Members of the MPP Program: | $ 197,159,603 |
| Current Retirees who are Expected to Join the MPP Program in the Future: | 7,692,185 |
| Total OPEB Liability: | $ 204,851,788 |

The June 30, 2026 Net OPEB Liability is equal to the Total OPEB Liability as of that date, less the Fiduciary Net Position for the THBF as of that date. The following exhibit shows the changes in the Total OPEB Liability, Fiduciary Net Position, and Net OPEB Liability between June 30, 2025 and June 30, 2026.

We have performed a discount-rate sensitivity analysis on the Net OPEB Liability for +1% (a 5.67% discount rate) and -1% (a 3.67% discount rate) scenarios on the GASB discount rate. In addition, we have calculated the values using the 4.67% discount rate but with +/-1% added to the assumed trend rate.

The results of the sensitivity analysis are shown in the following exhibit.



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## Schedule of Changes in Net OPEB Liability

| Changes in Net OPEB Liability | Increase (Decrease) Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
|---|---|---|---|
| Balances as of June 30, 2025 | $214,271,902 | ($2,507,678) | $216,779,580 |
| Changes for the year: | | | |
| Service cost | 0 | | 0 |
| Interest on total OPEB liability | 10,626,732 | | 10,626,732 |
| Effect of plan changes | 0 | | 0 |
| Effect of economic/demographic gains or losses | (6,956,676) | | (6,956,676) |
| Effect of assumptions changes or inputs | 6,987,623 | | 6,987,623 |
| Benefit payments | (20,077,793) | (20,077,793) | 0 |
| Employer contributions | | 20,768,061 | (20,768,061) |
| Member contributions | | 0 | 0 |
| Net investment income | | 53,339 | (53,339) |
| Adminstrative expenses | | (479,046) | 479,046 |
| Other expenses | | (546) | 546 |
| Balances as of June 30, 2026 | $204,851,788 | ($2,243,663) | $207,095,451 [1] |

### Sensitivity Analysis

The following presents the net OPEB liability of the MPP Program, calculated using the discount rate of 4.67%, as well as what the MPP Program's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.67%) or 1 percentage point higher (5.67%) than the current rate.

| | 1% Decrease 3.67% | Current Discount Rate 4.67% | 1% Increase 5.67% |
|---|---|---|---|
| Total OPEB liability | $219,291,097 | $204,851,788 | $192,015,096 |
| Fiduciary net position | (2,243,663) | (2,243,663) | (2,243,663) |
| Net OPEB liability | 221,534,760 | 207,095,451 | 194,258,759 |

The following presents the net OPEB liability of the MPP Program, calculated using the current healthcare cost trend rates as well as what the MPP Program's net OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| Total OPEB liability | $191,052,609 | $204,851,788 | $220,103,659 |
| Fiduciary net position | (2,243,663) | (2,243,663) | (2,243,663) |
| Net OPEB liability | 193,296,272 | 207,095,451 | 222,347,322 |

*1. Numbers may not add due to rounding.*



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# Schedule of Changes in Net OPEB Liability and Related Ratios

**$ Thousands**

| | Fiscal Year Ending June 30 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| **Total OPEB Liability** | | | | | | | | | | |
| Service cost | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Interest on total OPEB liability | 10,626 | 9,950 | 10,553 | 11,112 | 8,270 | 9,009 | 12,457 | 14,226 | 14,565 | 12,930 |
| Changes of benefit terms | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Effect of economic/demographic (gains) or losses | (6,957) | (18,165) | (16,899) | (9,070) | (9,627) | (9,598) | (4,288) | (10,605) | (15,759) | (41) |
| Effect of assumption changes or inputs | 6,987 | (19,824) | (7,266) | (2,717) | (42,212) | 1,874 | 70,417 | 12,111 | (10,293) | (31,240) |
| Benefit payments | (20,077) | (21,550) | (23,094) | (25,103) | (25,776) | (26,378) | (27,217) | (27,547) | (28,035) | (28,929) |
| Net change in total OPEB liability | (9,421) | (49,589) | (36,706) | (25,778) | (69,345) | (25,092) | 51,369 | (11,816) | (39,521) | (47,281) |
| Total OPEB liability, beginning | 214,272 | 263,860 | 300,567 | 326,345 | 395,690 | 420,782 | 369,413 | 381,228 | 420,749 | 468,031 |
| Total OPEB liability, ending (a) | $ 204,851 | $ 214,272 | $ 263,860 | $ 300,567 | $ 326,345 | $ 395,690 | $ 420,782 | $ 369,413 | $ 381,228 | $420,749 |
| **Fiduciary Net Position** | | | | | | | | | | |
| Employer contributions | $20,768 | $22,023 | $23,590 | $25,812 | $26,352 | $26,988 | $27,685 | $27,977 | $28,218 | $29,117 |
| Net Investment income | 53 | 66 | 56 | 31 | 1 | 5 | 25 | 28 | 18 | 12 |
| Benefit payments | (20,077) | (21,550) | (23,094) | (25,103) | (25,776) | (26,378) | (27,217) | (27,547) | (28,035) | (28,929) |
| Administrative (and other non-investment) expenses | (480) | (359) | (369) | (545) | (469) | (788) | (512) | (1,902) | (578) | (167) |
| Adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1,205) | 0 |
| Net change in plan fiduciary net position | 264 | 180 | 183 | 195 | 108 | (172) | (19) | (1,443) | (1,582) | 32 |
| Fiduciary net position, beginning | (2,508) | (2,688) | (2,870) | (3,066) | (3,174) | (3,003) | (2,984) | (1,541) | 42 | 10 |
| Fiduciary net position, ending (b) | (2,244) | (2,508) | (2,688) | (2,870) | (3,066) | (3,174) | (3,003) | (2,984) | (1,541) | 42 |
| Net OPEB liability, ending = (a) - (b) | $ 207,096 | $ 216,780 | $ 266,548 | $ 303,437 | $ 329,411 | $ 398,864 | $ 423,785 | $ 372,397 | $ 382,769 | $420,708 |
| Fiduciary net position as a % of total OPEB liability | -1.10% | -1.17% | -1.02% | -0.96% | -0.94% | -0.80% | -0.71% | -0.81% | -0.40% | 0.01% |
| Covered payroll | - | - | - | - | - | - | - | - | - | - |
| Net OPEB liability as a % of covered payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

**Notes to Schedule:**

*Changes of benefit terms*: None

*Changes of assumptions*. In each year, the discount rate was changed to reflect the current municipal bond rate. In 2020, the trend rate and enrollment assumptions were updated based on the 2020 Actuarial Experience Analysis. In 2024, the trend rate and mortality assumptions were updated based on the 2024 Actuarial Experience Analysis.

Note: Numbers may not add due to rounding.



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## Allocable OPEB Expense

| OPEB Expense | July 1, 2025 to June 30, 2026 | July 1, 2024 to June 30, 2025 |
|---|---|---|
| Service cost | $0 | $0 |
| Interest on total OPEB liability | 10,626,732 | 9,950,336 |
| Effect of plan changes | 0 | 0 |
| Administrative (and other non-investment) expenses | 479,592 | 359,493 |
| Member contributions | 0 | 0 |
| Expected investment return net of investment expenses[1] | 124,991 | 103,424 |
| Recognition of Deferred Inflows/Outflows of Resources | | |
| Recognition of economic/demographic gains or losses | (6,956,676) | (18,164,974) |
| Recognition of assumption changes or inputs | 6,987,623 | (19,823,897) |
| Recognition of investment gains or losses | (142,409) | (121,505) |
| OPEB Expense | 11,119,853 | (27,697,123) |

As of June 30, 2026, the deferred inflows and outflows of resources are as follows:

| Deferred Inflows / Outflows of Resources | Deferred Inflows of Resouces | Deferred Outflows of Resouces |
|---|---|---|
| Differences between expected and actual experience | $0 | $0 |
| Changes of assumptions | 0 | 0 |
| Net difference between projected and actual earnings | 335,309 | 0 |
| Contributions made subsequent to measurement date | Employer Determined | Employer Determined |
| Total | $ 335,309 | $ 0 |

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

| Year ended June 30:[2] | |
|---|---|
| 2027 | ($128,709) |
| 2028 | (101,290) |
| 2029 | (69,644) |
| 2030 | (35,666) |
| 2031 | 0 |
| Thereafter | 0 |

*1. The expected return is a positive value as the starting asset value is negative and therefore any return on a negative value increases expense.*

*2. Note that additional future deferred inflows/outflows may impact these numbers.*



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## Schedule of Deferred Inflows and Outflows of Resources

| | Original Amount | Date Established | Original Recognition Period[1] | Amount Recognized in 06/30/2026 Expense | Balance of Deferred Inflows 06/30/2026 | Balance of Deferred Outflows 06/30/2026 |
|---|---|---|---|---|---|---|
| **Investment (gains) or losses** | ($ 178,330) | 6/30/2026 | 5.0 | ($ 35,666) | $ 142,664 | $ 0 |
| | (169,882) | 6/30/2025 | 5.0 | (33,976) | 101,930 | 0 |
| | (158,236) | 6/30/2024 | 5.0 | (31,647) | 63,295 | 0 |
| | (137,108) | 6/30/2023 | 5.0 | (27,422) | 27,420 | 0 |
| | (68,498) | 6/30/2022 | 5.0 | (13,698) | 0 | 0 |
| | | Total | | (142,409) | 335,309 | 0 |
| **Economic/demographic (gains) or losses** | (6,956,676) | 6/30/2026 | 1.0 | (6,956,676) | 0 | 0 |
| | (18,164,974) | 6/30/2025 | 1.0 | 0 | 0 | 0 |
| | (16,899,244) | 6/30/2024 | 1.0 | 0 | 0 | 0 |
| | (9,070,143) | 6/30/2023 | 1.0 | 0 | 0 | 0 |
| | (9,626,233) | 6/30/2022 | 1.0 | 0 | 0 | 0 |
| | | Total | | (6,956,676) | 0 | 0 |
| **Assumption changes or inputs** | 6,987,623 | 6/30/2026 | 1.0 | 6,987,623 | 0 | 0 |
| | (19,823,897) | 6/30/2025 | 1.0 | 0 | 0 | 0 |
| | (7,266,110) | 6/30/2024 | 1.0 | 0 | 0 | 0 |
| | (2,717,407) | 6/30/2023 | 1.0 | 0 | 0 | 0 |
| | (42,212,473) | 6/30/2022 | 1.0 | 0 | 0 | 0 |
| | | Total | | 6,987,623 | 0 | 0 |

### Future Deferred Inflow/Outflow Recognition

| | Investment (Gains) or Losses | Economic/ Demographic (Gains) or Losses | Assumption Changes |
|---|---|---|---|
| Year ended June 30:[2] | | | |
| 2027 | ($ 128,709) | $ 0 | $ 0 |
| 2028 | (101,290) | 0 | 0 |
| 2029 | (69,644) | 0 | 0 |
| 2030 | (35,666) | 0 | 0 |
| 2031 | 0 | 0 | 0 |
| Thereafter[3] | 0 | 0 | 0 |

*1. Investment (gains)/losses are recognized in OPEB expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members. The average remaining service life for all MPP Program members is set to 1.0, since all current and future Program members are currently retired.*

*2. Note that additional future deferred inflows/outflows may impact these numbers.*

*3. Reflects remaining balance of total deferred (inflows)/outflows, if any.*



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## Actuarial Methods and Assumptions for GASB Valuation

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the June 30, 2025 MPP Program funding valuation, except as noted below and throughout this report. Please see the valuation report for further details.

Following are the key assumptions and methods used in this GASB analysis.

**Valuation Timing**

Actuarial valuations are performed annually as of June 30. The most recent valuation was performed as of June 30, 2025.

**Actuarial Cost Method**

Individual Entry Age

**Amortization Method**

| | |
|---|---|
| Recognition of investment gains or losses | Straight-Line amortization over 5 years |
| Recognition of economic/demographic gains or losses | Straight-Line amortization over Expected Working Life (immediate full recognition, since all plan members are retired) |
| Recognition of assumptions changes or inputs | Straight-Line amortization over Expected Working Life (immediate full recognition, since all plan members are retired) |

**Asset Valuation Method**

Fair Value

**Annual Inflation**

2.75%

**Salary Increases**

Not applicable

**Discount Rate**

4.67% as of June 30, 2026

**Healthcare Cost Trend Rates**

| Trend Assumption | | |
|---|---|---|
| | Assumed Annual Increase | |
| Years[1] | Part A | Part B |
| 2023 - 2032 | 5.40% | 6.62% |
| 2033 - 2042 | 4.93% | 5.59% |
| 2043 - 2052 | 4.32% | 4.54% |
| 2053 & Later | 4.09% | 4.26% |

*1. Trend rates indicate medical inflation in the specific year and therefore affect the premiums for the following year. For example, the projected 2026-2027 premium is the 2025-2026 premium increased by the assumed 2025-2026 trend rate.*

**MPP Program Participation Rates**

See exhibit on following page

**Retirement**

Not applicable

**Turnover**

Not applicable

**Mortality**

Custom CalSTRS rates (same as funding valuation).
See June 30, 2025 MPP Program funding valuation for details.



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**Part A Enrollment Rates[1]**

| | |
|---|---|
| Percent of under age 65 retirees enrolling (all years)[2] | 2.00% |
| Percent of over age 65 retirees enrolling (for those not currently enrolled) at Age:[3] | |
| 65 | 0.20% |
| 66 | 0.02 |
| 67 | 0.02 |
| 68 | 0.02 |
| 69 | 0.02 |
| 70-84 | 0.02 |
| 85 & Above | 0.00 |
| Percent of over age 65 retirees enrolling (for those already enrolled) | 100.0% |

*1. Only current enrollees are assumed to receive Part B payments.*

*2. For under age 65 retirees, the enrollment percent applies upon reaching age 65. No enrollment is assumed after age 65 for retirees currently under age 65.*

*3. For over 65 retirees, the enrollment percent applies in each future year.*



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## MPP Program Member Data

| | June 30, 2025 | June 30, 2024 |
|---|---|---|
| **Number of Not Enrolled Members[1]** | | |
| Retirees eligible for Part A Premium (under age 65) | 151 | 197 |
| Retirees eligible for Part A Premium (age 65 & older) | 119,803 | 126,233 |
| Total | 119,954 | 126,430 |
| **Number of Enrolled Members[2]** | | |
| Retirees with Part A Premium | 3,728 | 4,069 |
| Retirees with Part B Penalty | 145 | 195 |
| **Average CalSTRS Payment for Enrolled Members (for current calendar year)** | | |
| Retirees with Part A Premium | $ 506.17 | $ 464.69 |
| Retirees with Part B Penalty | 71.93 | 69.46 |

1. *Not Enrolled Members include those hired prior to April 1, 1986 and retired on or before June 30, 2012 who are potentially eligible to enroll in the MPP Program and receive Part A benefits.*
2. *Most retirees in the Part B penalty group are also in the Part A premium group, so the total retirees participating in the MPP Program is less than the sum of the two groups.*



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# Glossary

| | |
|---|---|
| **Actuarially Determined Contribution** | A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined based on the funding policy and most recent measurement available when the contribution for the reporting period was adopted. |
| **Deferred Inflows/Outflows of Resources** | Portion of changes in Net OPEB Liability that is not immediately recognized in OPEB Expense. These changes include differences between expected and actual experience, changes in assumptions, and differences between expected and actual earnings on plan investments. |
| **Discount Rate** | Single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the sum of:<br>1) The actuarial present value of benefit payments projected to be made in future periods where the plan assets are projected to be sufficient to meet benefit payments, calculated using the Long-Term Expected Rate of Return.<br>2) The actuarial present value of projected benefit payments not included in (1), calculated using the Municipal Bond Rate. |
| **Fiduciary Net Position** | Equal to market value of assets. |
| **Municipal Bond Rate** | Yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. |
| **Net OPEB Liability** | Total OPEB Liability minus the Plan's Fiduciary Net Position. |
| **Projected Benefit Payments** | All benefits estimated to be payable through the OPEB plan to current active and inactive employees as a result of their past service and expected future service. |
| **Service Cost** | The portion of the actuarial present value of projected benefit payments that is attributed to a valuation year. |
| **Total OPEB Liability** | The portion of actuarial present value of projected benefit payments that is attributable to past periods of member service using the Entry Age actuarial cost method based on the requirements of GASB 74 and 75. |



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