

Credited Interest Rate - Defined Benefit Program

SUBJECT

Adoption of the Credited Interest Rate for the Defined Benefit Program for Fiscal Year 2026-27

SUMMARY

Credited interest, as defined by Section 22120 of the Education Code, is interest that is credited to members' accounts at a rate set annually by the board. Members who terminate membership in the Defined Benefit Program and withdraw their funds receive a refund of their contributions along with the interest credited to their account. Credited interest generally does not affect a member who receives a monthly allowance under the Defined Benefit Program.

According to board policy, the credited interest rate adopted is equal to the average amount paid on 2-year U.S. Treasury notes for the previous twelve months, rounded to the next highest basis point. The 12-month period ending in February is used for setting the credited interest rate. The board policy also states that the credited interest rate cannot exceed the assumed investment return and cannot be lower than a passbook rate calculated as the average one-year annual percentage yield a person would earn in a savings account for a representative sample of banks and credit unions.

The average rate paid on 2-year U.S. Treasury notes during the period March 1, 2025 through February 27, 2026 was 3.700%. It results in a rate of 3.70% when rounded up to the next highest basis point. This is less than the rate of 4.36% adopted for fiscal year 2025-26. This rate meets the thresholds set in the board policy. It is less than the actuarial assumed rate of 7.00% and more than the current passbook rate of 0.03%.

RECOMMENDATION

Staff recommends the board adopt the Credited Interest Rate of 3.70% for the Defined Benefit Program for fiscal year 2026-27.

RESOLUTION OF THE
TEACHERS' RETIREMENT BOARD

SUBJECT: Adoption of the Credited Interest Rate for the Defined Benefit Program for
Fiscal Year 2026-27

RESOLUTION NO. XX-XX

WHEREAS, the Teachers' Retirement Law requires the Teachers' Retirement Board to
adopt the Credited Interest Rate; and

WHEREAS, Section 22120 of the Education Code specifies that “Credited Interest”
means interest that is credited to active members’ and inactive members accumulated retirement
contributions and accumulated annuity deposit contributions at a rate set annually by the board as
a plan amendment; and

WHEREAS, the Teachers' Retirement Board adopted a policy of basing the Credited
Interest Rate on the average rate paid on 2-year U.S. Treasury notes for the previous twelve
months, rounded up to the next highest basis point; and

WHEREAS, the average rate paid on 2-year U.S. Treasury notes during the period March
1, 2025 through February 27, 2026 was 3.700%, resulting in a rate of 3.70% when rounded up to
the next highest basis point; and

WHEREAS, the average rate for 2-year U.S. Treasury notes during the past twelve
months was greater than the current passbook account rate of 0.03% and less than the actuarial
assumed interest rate of 7.00%; therefore, be it

RESOLVED that the Teachers' Retirement Board adopts the Credited Interest Rate of
3.70% for the Defined Benefit Program for fiscal year 2026-27.

Adopted by:
Teachers' Retirement Board
On May 28, 2026

Cassandra Lichnock
Chief Executive Officer

Reviewed by:

Brian J. Bartow
General Counsel