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CalSTRS—Purchasing Power Benefits

Supplemental Benefit Maintenance Account

June 12, 2008
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	Current Law	Assembly	Governor/Senate	Proposed LAO Compromise Package
Targeted Purchasing Power Benefit (Percent of Initial Benefit)	80 percent	85 percent	85 percent	85 percent
New Authority for CalSTRS to Set Targeted Benefit Level	Not applicable	Set by CalSTRS board at level between 80 percent and 85 percent deemed sustainable in "75-year" actuarial valuation	Not applicable	Pursuant to CalSTRS regulations, the CalSTRS board—after making determination that 85 percent is not sustainable over the long term—would adjust benefit level between 80 percent and 85 percent based on periodically updated actuarial valuations of benefit sustainability over the long term
What Happens if Future Valuation Shows State Contributions Are More Than Needed for "85 Percent Benefits" Over the Long Term	Not applicable	CalSTRS can increase benefits	Not applicable	CalSTRS must report to the Legislature about this valuation and propose options for use of such excess funds, one of which must be an increase in benefits for any surviving pre-1999 retirees
Constitutional Status of the Targeted Benefit	Paid to the extent that funds on hand are sufficient	Paid to the extent that funds on hand are sufficient	Paid to the extent that funds on hand are sufficient	Paid to the extent that funds on hand are sufficient
State Contribution (as Percent of Previous Year's Teacher Payroll)	Fixed at 2.5 percent	2.5 percent less \$66 million each year	Fixed at 2.25 percent (\$66 million less than current law in 2008-09, with increasing savings each year thereafter)	<ul style="list-style-type: none"> • 2.5 percent less \$66.386 million in 2008-09 • 2.5 percent less \$70 million in 2009-10 • 2.5 percent less \$71 million in 2010-11 • 2.5 percent less \$72 million in 2011-12 and thereafter
Constitutional Status of State Contributions	Guaranteed	Guaranteed	Guaranteed	Guaranteed

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Schedule for Paying \$228 Million of Interest Under Recent Court Order	No schedule established	Pay over four years beginning in 2009-10	Pay over four years beginning in 2009-10	Pay over four years beginning in 2009-10, scheduled and appropriated in trailer bill
Payment Dates for Annual State Contributions	November 1 in 2008-09; unspecified thereafter	Split between November 1 and April 1 each year	Split between November 1 and April 1 each year	Split between November 1 and April 1 each year
Funds to Hold System Harmless for Los Angeles Unified School District (LAUSD) and Other Payroll Reporting Issues^a	None	Legislative intent to appropriate up to \$3 million for LAUSD payroll issue in <i>2009-10 Budget Act</i>	Legislative intent to appropriate up to \$3 million for LAUSD payroll issue in <i>2009-10 Budget Act</i>	Legislative intent to appropriate up to \$3 million total for LAUSD payroll issue and previously reported 2005-06 CalSTRS payroll reporting error in <i>2009-10 Budget Act</i>
Annual Reporting Dates for Prior-Year Payroll Determining State Contributions in the Budget Year	October 1 (for Defined Benefit program)	October 25, with ability to amend payroll reports for all state contributions until April 15	October 25, with ability to amend payroll reports for all state contributions until April 15	October 25, with ability to amend payroll reports for all state contributions until April 15
Details of Comprehensive Legislative Package	Not applicable	Comprehensive package of benefits for state and comparable new advantages for CalSTRS members	Comprehensive package of benefits for state and comparable new advantages for CalSTRS members	<ul style="list-style-type: none"> • Statutory language specifying legislative intent that this be construed as a single comprehensive package • Court-ordered interest payments are severable from the package • All other components of the package are nonseverable

^a Not included in Governor's May Revision proposal.