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Teachers' Retirement Board

**2011 Report on the Purchasing  
Power of Allowances**

**CALSTRS**

**CALIFORNIA  
STATE TEACHERS' RETIREMENT SYSTEM**

**ANNUAL REPORT ON THE PURCHASING POWER OF ALLOWANCES**

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**CALIFORNIA  
STATE TEACHERS' RETIREMENT SYSTEM**

**2011 REPORT TO THE GOVERNOR AND LEGISLATURE  
REQUIRED BY SECTION 24400 OF THE EDUCATION CODE**

**I. LEGISLATIVE REQUIREMENT**

Chapter 802, Statutes of 1979 (AB 604) added Section 24700 of the Education Code (renumbered in 1993 as Section 24400), which currently reads:

"The Legislature recognizes that inflation erodes the purchasing power of benefits paid under the plan under this part. It is the intent of the Legislature to understand the degree of erosion of these benefits. The board shall report to the Governor and Legislature no later than June 1 of each year on the extent to which inflation has eroded the purchasing power of benefits provided under the Defined Benefit Program. The board shall indicate the amount of supplementary increases in retirement allowances required to preserve the purchasing power of benefits provided by the Defined Benefit Program. The board shall also determine and report on the increases."

As a result, the Teachers' Retirement Board has prepared a report on:

- The current purchasing power of the Defined Benefit (DB) Program allowances payable by the California State Teachers' Retirement System (CalSTRS).
- The allowance increases granted to date.
- The amount of supplementary increases needed to restore current allowances to between 80 and 100 percent of the purchasing power of the initial allowances.

**II. BASE YEAR AND REPORTING PERIOD**

The current DB Program retirement formula was implemented in 1956 and all existing allowances were increased to reflect the improved formula. As of December 2010, only 17 benefit recipients have benefit effective dates prior to 1956. Therefore, 1956 was selected as the beginning year for this report, and all allowances with benefit effective dates prior to 1956 have been combined in a single group.

CalSTRS has maintained benefit statistics and applied ad hoc allowance increases on a July 1 through June 30 fiscal year basis to coincide with the school year. For this report, however, the calendar year is normally selected because the California Consumer Price Index for the preceding December is the most current data available for preparation of this report.

### **III. HISTORY OF ALLOWANCE INCREASES**

Under the DB Program, allowances are increased by an annual benefit improvement factor equal to 2 percent of the initial allowance payable. Additional increases have been paid to recipients on an ad-hoc basis. The term "ad hoc increase" refers to a permanent increase in the allowance that is calculated once and paid as long as the allowance is payable. The design of ad hoc allowance increases has varied. Specified percentage increases in the first \$300 of allowance were applied as of July 1 of 1967, 1972, 1976 and 1978.

The minimum unmodified allowance was increased as of July 1, 1972, October 1, 1980, and September 1, 1981. This "minimum guarantee" is the lowest amount of monthly allowance payable for each year of service credit earned by the member. In 1972, the minimum guarantee was increased from \$80 per year to \$10 per month for each year of creditable service. In 1980, the minimum guarantee was increased to \$16 per month for each year of service credit; and, in 1981, to \$18 per month for each year of service credit.

Effective January 1, 2000 certain benefit recipients received allowance increases to bring total annual DB Program benefit payments to specified minimum levels, pursuant to Chapter 632, Statutes of 1999 (SB 713). These minimum benefit levels were based on the member's credited service under the DB Program at the time of the member's retirement, disability or death. These increases were based on a graded scale beginning at \$15,000 with 20 years of service credit, increasing \$500 for each additional year of credited service, in one-year increments, to \$20,000 with 30 or more years of service credit. These increases receive the annual 2 percent benefit improvement beginning September 1, 2001, and are measured for purchasing power based on the January 1, 2000 effective date.

Effective January 1, 2001, an additional group of benefit recipients received allowance increases to bring total annual DB Program benefit payments to the specified minimum levels, pursuant to Chapter 1026, Statutes of 2000 (SB 1505). These minimum benefit levels are based on the member's credited service under the DB Program at the time of the member's retirement, disability or death. These increases are based on the same graded scale as those effective January 1, 2000 beginning at \$15,000 with 20 years of service credit, increasing \$500 for each additional year of credited service, in one-year increments, to \$20,000 with 30 or more years of service credit. These increases receive the annual 2 percent benefit improvement beginning September 1, 2002, and are measured for purchasing power based on the January 1, 2001 effective date.

Chapter 1027, Statutes of 2000 (AB 429) provided an additional ad hoc increase for all DB Program benefit recipients who had begun receiving a benefit prior to January 1, 1998. The ad hoc increase ranged from 1 percent for those who began receiving a benefit in 1997 to 6 percent for those who began receiving a benefit prior to 1975. The ad hoc increase is not applied to the minimum allowance increases provided in either 2000 or 2001. These increases receive the annual 2 percent benefit improvement beginning September 1, 2002, and are measured for purchasing power based on the January 1, 2001 effective date.

The first allowance purchasing power increase was applied as of January 1, 1980. The DB Program allowance "purchasing power" is measured by changes in the California Consumer Price Index (CCPI), and reflects changes in the cost-of-living since a benefit became effective. The purchasing power maintenance concept attempts to maintain the allowance at a specified percentage of the purchasing power of the initial allowance.

In addition to ad hoc allowance increases, which permanently increase the allowance, annual supplemental benefit payments (payable in quarterly installments) have been implemented. The supplemental benefit payments for any one-year are dependent upon the money available for that year. Beginning July 1, 1983, an appropriation from the General Fund equal to 5 percent of the average increase in the statewide payroll for certificated school employees over the previous three years was included in the Governor's Budget for the Retirees' Purchasing Power Protection Account. The proceeds of the account were distributed in supplemental payments to bring those allowances with the lowest purchasing power to a common minimum purchasing power level.

Since July 1, 1984, revenue derived from the use of School Lands has been provided to CalSTRS each year for quarterly supplemental benefit payments. The income derived from School Lands must be prorated among all benefit recipients whose allowances, after application of the annual 2 percent benefit improvement, are below a certain percent of the purchasing power of their initial allowances. From July 1, 1984 through December 31, 2001 the School Lands income was prorated between those whose allowances were below 75 percent. Since January 1, 2002, the School Lands income has been prorated between those whose allowances were below 80 percent.

Beginning July 1, 1990 and each July 1 thereafter, an amount equal to a specified percentage of total member salaries has been transferred from the General Fund to the Supplemental Benefit Maintenance Account (SBMA) in the Teachers' Retirement Fund. This replaced the appropriation that had been made to the Retirees' Purchasing Power Protection Account. The proceeds of the SBMA are distributed annually in quarterly supplemental benefit payments to restore the purchasing power of all allowances to a specified minimum of the purchasing power of the initial allowance. The amount of payment is equal to the amount needed to restore the current allowance to the minimum level of purchasing power, after any supplemental payment was made from School Lands funds. Like other supplemental payments, these payments were not vested and would only be made to the extent funds were available in the account.

Until April 1, 1998 the supplemental benefit payments restored allowances to 68.2 percent of the purchasing power of the initial allowance. Chapter 939, Statutes of 1997 (SB 1026), effective January 1, 1998, increased the supplemental benefit to a minimum of 75 percent of the purchasing power of the initial allowance. Partial funding for this increase was provided as a result of the federal sale of the Elk Hills Naval Petroleum Reserve and the federal payment of 9 percent of the proceeds of that sale to CalSTRS. This federal payment represents the school lands portion of this sale, which was to be received by CalSTRS over a period of seven years beginning in fiscal year 1998-99. Subsequently, two expected payments of \$72 million each were reduced by Congress to \$36 million each. In federal fiscal year 2006, \$48 million was appropriated, leaving a balance to be paid to CalSTRS of about \$18 million, depending on the final determination of the direct expense of selling the reserve, of which CalSTRS will bear a nine percent share. Chapter 939 also authorizes the CalSTRS Board to transfer funds from the Teachers' Retirement Fund, increase employer contributions, or reduce the distribution below 75 percent, if the resources in the SBMA are insufficient to maintain the 75 percent purchasing power payments.

Chapter 840, Statutes of 2001 (AB 135), effective with the 2001-02 fiscal year, increased the supplemental benefit to a minimum of 80 percent of the purchasing power of the initial allowance.

Chapter 1006, Statutes of 1998 (AB 1102) continuously appropriates an annual transfer from the General Fund to the SBMA, equal to 2.5 percent of the total creditable compensation of the immediately preceding calendar year, effective July 1, 1999. This provision established the supplemental payments as a vested benefit (to the extent sufficient funds are available in the SBMA) pursuant to a contractual obligation to make the annual transfer from the General Fund to the SBMA.

Chapter 1021, Statutes of 2000 (AB 2700), revised the annual transfer from the General Fund from 2.5 percent of the total creditable compensation of the immediately preceding calendar year to 2.5 percent of the total creditable compensation of the fiscal year ending in the immediately preceding calendar year, effective July 1, 2003.

Chapter 6, Statutes of 2003 (SBX1-20) decreased the transfer from the General Fund, due on July 1, 2003, by \$500 million. The Teachers' Retirement Board successfully pursued litigation to compel payment of the \$500 million plus interest. A \$500 million payment consisting of the interest owed to date and partial payment of the principal was received September 6, 2007. Chapter 751, Statutes of 2008 (AB 1389) appropriated \$56,979,949 per year, starting with fiscal year 2009-2010 and ending with fiscal year 2012-2013, to pay the remaining principal and interest of the original \$500 million, to be contributed to the Supplemental Benefit Maintenance Account. Chapter 751 also increased the payment from the Supplemental Benefit Maintenance Account to as much as 85 percent of the purchasing power of the initial monthly allowance. It authorized the Teachers' Retirement Board to adjust the purchasing power protection payments between no less than 80 percent and no more than 85 percent, based on actuarial projections. In February 2009, the Board adopted regulations that establish the parameters of that adjustment, which is intended to maintain a constant purchasing power protection benefit through June 30, 2089.

#### **IV. CUMULATIVE CHANGES IN CCPI AND THE IMPACT ON ALLOWANCE PURCHASING POWER**

Exhibit A displays the CCPI figures for June of every calendar year since 1956 and the percent of increase in the CCPI that has occurred from June of each year through December 2010.

Exhibit B displays the average impact of inflation, through December 2010, based on when allowances were initially paid by year. The exhibit includes, by calendar year, the change in CCPI, the average increase in allowances, the average purchasing power of allowances, and the average increase needed to restore full purchasing power.

A review of the average purchasing power of allowances as of December 2010 (Column 4 in Exhibit B) allows determination of the point at which supplemental payments will begin. This review indicates that supplemental benefit payments will be made to benefit recipients whose initial benefit was paid in 1990 or earlier.

#### **V. EROSION OF ALLOWANCE PURCHASING POWER**

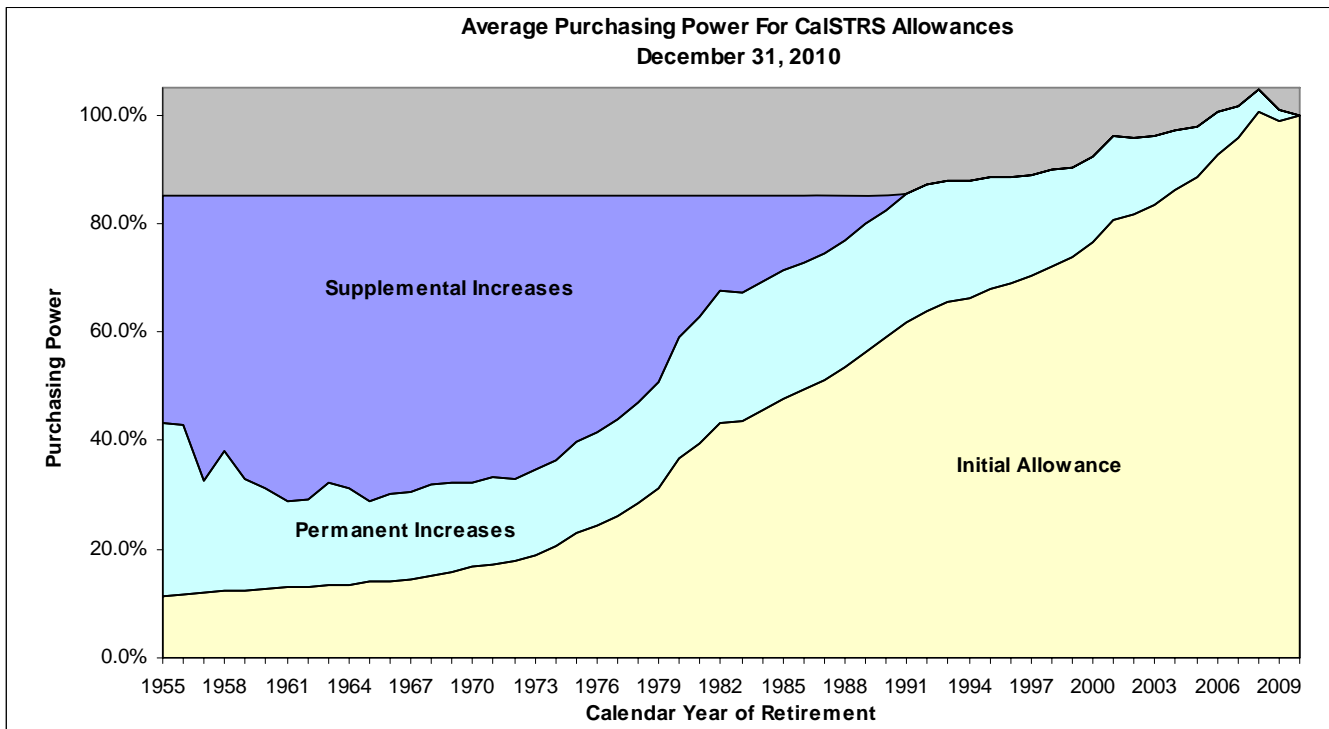
The current CalSTRS DB Program was implemented in July 1972. As part of the basic benefits under this program, DB Program allowances are increased by an annual benefit improvement factor equal to 2 percent of the initial allowance payable. Based on the low rates of inflation during the preceding fifteen years, a 2 percent simple increase was expected to prevent significant erosion of the purchasing power of DB Program allowances. However, the rate of inflation increased significantly in the mid-1970's and through most of the 1980's. The CCPI rose 461.7 percent in the period from June 1972 to December 2010, for an annual average rate of 4.65 percent.

Legislation requiring this report was enacted in 1979. The CCPI has risen 220.4 percent in the period from June 1979 to December 2010. During this period, 31 annual 2 percent simple benefit improvements have been applied to allowances, for a total increase of 62 percent.

On January 1, 1980, DB Program benefit recipients received a substantial ad hoc increase intended to adjust allowances up to 72 percent of the purchasing power of the initial allowance based on an estimated September 1979 CCPI. The increase effectively raised the purchasing power of DB Program allowances to an average of 71 percent of the initial allowances based on the June 1979 CCPI.

Exhibit C displays the number of benefit recipients by percentage of allowance purchasing power level. As indicated in Exhibit D, the allowances paid to 59,996 (24.2 percent) benefit recipients are expected to be below 85 percent of the purchasing power of their initial allowances in June 2011, while 188,028 (75.8 percent) are expected to be at or above the targeted 85 percent purchasing power maintenance level.

The graph below indicates the purchasing power of current DB Program allowances. The Initial Allowance area of this graph shows the current average purchasing power of the initial DB Program allowances using the change in the California Consumer Price Index from June of the calendar year in which the benefits became effective to December of 2010. The Permanent Increases area shows how the permanent allowance increases (the annual 2 percent benefit improvement plus any applicable ad hoc increases) have added to the purchasing power of the initial allowances. During 2011-12, the purchasing power of the allowances has been raised to the level indicated by the Supplemental Increase area of the chart by means of quarterly supplemental benefit payments. These quarterly payments are payable on an annual basis subject to the availability of revenues from the SBMA Reserve, School Lands and General Fund contributions to the SBMA.



## VI. COST OF RESTORING ALLOWANCE PURCHASING POWER

The estimated cost of the supplemental benefit payments needed to restore the allowances payable in 2011-12 to 85 percent of the original purchasing power is shown in Exhibit D. The State Lands Commission estimates that there will be \$4.2 million in revenues for supplemental benefit payments to DB Program benefit recipients in 2011-12. These payments will be prorated among those benefit recipients whose allowances, after application of the annual 2 percent benefit improvement, have fallen below 85 percent of the purchasing power of their initial allowances.

An additional \$268,565,740 will be required to bring the purchasing power level of all allowances to a minimum of 85 percent of the initial allowance. This amount will be provided from the SBMA.

A history of supplemental benefit payments and the source of income for those payments are displayed in Exhibit E. This exhibit shows that, prior to 1992-93, the Teachers' Retirement Fund provided the balance of the amount needed in the SBMA to restore purchasing power to a minimum of 68.2 percent of the purchasing power of the initial allowance. General Fund contributions made in subsequent years that were in excess of that needed to restore purchasing power to a minimum of 68.2 percent were used to repay the Teachers' Retirement Fund. With completion of the full repayment of amounts from the Teachers' Retirement Fund, General Fund contributions are now accumulated in the SBMA to assist with funding subsequent supplemental benefit payments.

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM  
INCREASE IN CALIFORNIA CONSUMER PRICE INDEX FROM YEAR OF  
BENEFIT EFFECTIVE DATE THROUGH DECEMBER 2010**

<u>Calendar Year of Benefit Effective Date</u>	<u>CA Consumer Price Index as of June</u>	<u>Percent Increase of June CCPI Through June 2010</u>	<u>CA Consumer Price Index as of December</u>	<u>Percent Increase of June CCPI Through December 2010</u>
1956	26.2	766.8	26.8	768.3
1957	27.1	738.1	27.5	739.4
1958	28.1	708.2	28.3	709.6
1959	28.5	696.9	29.0	698.2
1960	29.1	680.5	29.5	681.7
1961	29.5	669.9	29.7	671.1
1962	30.0	657.0	30.1	658.3
1963	30.2	652.0	30.6	653.3
1964	30.8	637.4	31.3	638.6
1965	31.6	618.7	31.7	619.9
1966	32.1	607.5	32.6	608.7
1967	32.9	590.3	33.6	591.4
1968	34.3	562.1	34.9	563.2
1969	36.0	530.9	37.0	531.9
1970	37.9	499.2	38.7	500.2
1971	39.4	476.4	39.8	477.4
1972	40.5	460.8	41.3	461.7
1973	42.7	431.9	44.5	432.8
1974	47.1	382.2	49.9	383.0
1975	52.0	336.8	54.2	337.5
1976	55.2	311.4	57.1	312.1
1977	59.5	281.7	61.3	282.3
1978	64.6	251.6	65.9	252.1
1979	71.0	219.9	76.3	220.4
1980	83.3	172.6	86.0	173.1
1981	90.1	152.1	95.5	152.5
1982	98.5	130.6	96.2	131.0
1983	99.1	129.2	100.7	129.6
1984	103.6	119.2	105.7	119.6
1985	108.4	109.5	110.4	109.9
1986	112.2	102.4	112.7	102.8
1987	116.3	95.3	118.4	95.6
1988	121.7	86.6	124.0	86.9
1989	128.2	77.2	129.9	77.4
1990	134.3	69.1	138.2	69.4
1991	140.1	62.1	142.4	62.4
1992	145.2	56.4	147.3	56.7
1993	148.9	52.5	150.7	52.8
1994	150.7	50.7	152.5	51.0
1995	154.2	47.3	154.2	47.5
1996	156.6	45.0	157.9	45.3
1997	160.0	41.9	162.0	42.2
1998	163.6	38.8	165.1	39.1
1999	167.8	35.3	170.0	35.6

<u>Calendar Year of Benefit Effective Date</u>	<u>CA Consumer Price Index as of June</u>	<u>Percent Increase of June CCPI Through June 2010</u>	<u>CA Consumer Price Index as of December</u>	<u>Percent Increase of June CCPI Through December 2010</u>
2000	174.0	30.5	177.3	30.7
2001	183.2	24.0	181.8	24.2
2002	185.9	22.2	187.2	22.4
2003	189.9	19.6	190.1	19.8
2004	195.8	16.0	197.0	16.2
2005	201.3	12.8	204.2	13.0
2006	210.9	7.7	211.0	7.9
2007	217.404	4.5	219.593	4.6
2008	228.324	-0.5	219.775	-0.4
2009	224.994	0.9	224.349	1.1
2010	227.113	0.0	227.487	0.2

The increase from calendar year of the benefit effective date is calculated by dividing the December 2010 CCPI (227.487) by the index figure for the year of retirement and adjusting the results to reflect the percentage increase. For example, the calculation for 1956 is:  $227.487 / 26.2 = 8.683 - 1.000 = 7.683 \times 100 = 768.3$ .

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM  
AVERAGE ALLOWANCE PURCHASING POWER AS OF DECEMBER 2010**

<b>Calendar Year of Benefit Effective Date</b>	<b>CCPI Increases Since Benefit Effective Date</b>	<b>Average Allowance Increases Since Benefit Effective Date</b>	<b>Average Purchasing Power of Current Allowance</b>	<b>Average Increase Needed to Restore Full Purchasing Power</b>	<b>Average Annual Supplemental Increase</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>
Prior to 1956	785.2%	283.9%	43.4%	130.6%	\$3,152
1956	768.3%	271.1%	42.7%	134.0%	\$3,815
1957	739.4%	174.6%	32.7%	205.7%	\$4,583
1958	709.6%	207.1%	37.9%	163.6%	\$1,340
1959	698.2%	164.0%	33.1%	202.3%	\$4,289
1960	681.7%	144.8%	31.3%	219.3%	\$6,675
1961	671.1%	121.4%	28.7%	248.3%	\$5,767
1962	658.3%	121.0%	29.1%	243.1%	\$7,660
1963	653.3%	142.8%	32.2%	210.3%	\$5,994
1964	638.6%	129.5%	31.1%	221.8%	\$6,482
1965	619.9%	106.7%	28.7%	248.3%	\$5,617
1966	608.7%	112.8%	30.0%	233.0%	\$6,597
1967	591.4%	111.4%	30.6%	227.1%	\$7,018
1968	563.2%	110.8%	31.8%	214.6%	\$7,256
1969	531.9%	104.3%	32.3%	209.3%	\$8,930
1970	500.2%	94.6%	32.4%	208.4%	\$8,984
1971	477.4%	92.7%	33.4%	199.6%	\$9,224
1972	461.7%	86.0%	33.1%	202.0%	\$13,253
1973	432.8%	83.8%	34.5%	189.9%	\$13,581
1974	383.0%	76.4%	36.5%	173.8%	\$11,954
1975	337.5%	73.6%	39.7%	152.0%	\$11,072
1976	312.1%	70.8%	41.4%	141.3%	\$10,792
1977	282.3%	67.9%	43.9%	127.7%	\$10,379
1978	252.1%	65.3%	47.0%	113.0%	\$9,684
1979	220.4%	63.2%	50.9%	96.3%	\$8,600
1980	173.1%	60.9%	58.9%	69.7%	\$6,089
1981	152.5%	58.4%	62.7%	59.4%	\$5,321
1982	131.0%	56.3%	67.7%	47.8%	\$4,263
1983	129.6%	54.3%	67.2%	48.8%	\$4,802
1984	119.6%	52.1%	69.3%	44.4%	\$4,350
1985	109.9%	49.8%	71.4%	40.1%	\$3,923
1986	102.8%	47.5%	72.7%	37.5%	\$3,735
1987	95.6%	45.7%	74.5%	34.2%	\$3,422
1988	86.9%	43.5%	76.8%	30.2%	\$2,727
1989	77.4%	41.8%	79.9%	25.1%	\$1,689
1990	69.4%	39.8%	82.5%	21.2%	\$842
1991	62.4%	38.8%	85.5%	17.0%	\$0
1992	56.7%	36.6%	87.2%	14.7%	\$0
1993	52.8%	34.5%	88.0%	13.6%	\$0
1994	51.0%	32.8%	87.9%	13.7%	\$0
1995	47.5%	30.7%	88.6%	12.9%	\$0
1996	45.3%	28.5%	88.5%	13.1%	\$0
1997	42.2%	26.5%	89.0%	12.4%	\$0
1998	39.1%	24.9%	89.8%	11.4%	\$0

<b>Calendar Year of Benefit Effective Date</b>	<b>CCPI Increases Since Benefit Effective Date</b>	<b>Average Allowance Increases Since Benefit Effective Date</b>	<b>Average Purchasing Power of Current Allowance</b>	<b>Average Increase Needed to Restore Full Purchasing Power</b>	<b>Average Annual Supplemental Increase</b>
1999	35.6%	22.3%	90.2%	10.9%	\$0
2000	30.7%	20.5%	92.2%	8.5%	\$0
2001	24.2%	19.4%	96.2%	4.0%	\$0
2002	22.4%	17.2%	95.7%	4.4%	\$0
2003	19.8%	15.0%	96.0%	4.2%	\$0
2004	16.2%	12.7%	97.0%	3.1%	\$0
2005	13.0%	10.6%	97.9%	2.2%	\$0
2006	7.9%	8.5%	100.5%	-0.6%	\$0
2007	4.6%	6.2%	101.6%	-1.5%	\$0
2008	-0.4%	4.1%	104.6%	-4.3%	\$0
2009	1.1%	2.0%	100.9%	-0.9%	\$0
2010	0.2%	0.0%	99.8%	0.2%	\$0

Explanation of source and/or calculation of data in columns 3, 4 and 5:

- Column 3 - Increases from all sources as a percentage of initial allowance. Obtained by dividing total current allowance by total initial allowance and adjusting to a percentage.
- Column 4 - Purchasing Power as of December 2009. Obtained by dividing total current allowance payable by full CCPI adjusted allowance. Based on totals for all benefit types by calendar year of effective date.
- Column 5 - Percentage increase in current allowance payable required to restore full 100 percent purchasing power as of December 2010. Obtained by dividing the fully adjusted CCPI allowance factor (column 2) by the percentage increase to date (column 3) and adjusting to a percentage. Example:  $(785.2 + 100) / (283.9 + 100) = 2.306 \times 100 = 230.6 - 100 = 130.6$  percent.

**CALIFORNIA  
STATE TEACHERS' RETIREMENT SYSTEM**

**ESTIMATED NUMBER OF BENEFIT RECIPIENTS  
BY PURCHASING POWER LEVEL  
AS OF JUNE 30, 2011**

<u>Purchasing Power Level</u>	<u>Benefit Recipients</u>	
	<u>Number</u>	<u>Percent</u>
Greater than 100.0%	23,085	9.31%
95.1% - 100.0%	75,305	30.36%
90.1% - 95.0%	39,114	15.77%
85.1% - 90.0%	50,037	20.17%
85.0%	487	0.20%
80.1% - 84.9%	12,596	5.08%
75.1% - 80.0%	9,905	3.99%
70.1% - 75.0%	12,222	4.93%
65.1% - 70.0%	10,154	4.09%
60.1% - 65.0%	2,851	1.15%
55.1% - 60.0%	2,360	0.95%
50.1% - 55.0%	564	0.23%
45.1% - 50.0%	3,500	1.41%
40.1% - 45.0%	2,445	0.99%
0.0% - 40.0%	<u>3,399</u>	<u>1.37%</u>
	248,024	100.00%

In this exhibit benefit recipients are grouped by the percentage of allowance purchasing power level of their current allowances. Those with initial allowances plus permanent increases from all sources equal to and below 40 percent of full purchasing power are combined in one group. The purchasing power level of 6,039 benefit recipients is at exactly 100.0%.

**CALIFORNIA  
STATE TEACHERS' RETIREMENT SYSTEM**

**ESTIMATED COST OF RESTORING  
ALLOWANCE PURCHASING POWER  
THROUGH SUPPLEMENTAL BENEFIT PAYMENTS  
AT DIFFENT RATES DURING FISCAL YEAR 2011-2012**

<u>Restoration Level</u>	<u>Benefit Recipients</u>	<u>Total Amount Required</u>	<u>Amount from School Lands</u>	<u>Additional Amount Required</u>
80.00%	47,387	\$194,475,809	\$4,208,000	\$190,267,809
81.00%	47,961	\$208,357,904	\$4,208,000	\$204,149,904
82.00%	52,379	\$222,926,411	\$4,208,000	\$218,718,411
83.00%	53,375	\$238,553,640	\$4,208,000	\$234,345,640
84.00%	59,134	\$254,623,933	\$4,208,000	\$250,415,933
85.00%	59,996	\$272,773,740	\$4,208,000	\$268,565,740
90.00%	110,472	\$416,421,219	\$4,208,000	\$412,213,219
95.00%	147,909	\$626,906,134	\$4,208,000	\$622,698,134
100.00%	218,900	\$971,797,116	\$4,208,000	\$967,589,116

**CALIFORNIA  
STATE TEACHERS' RETIREMENT SYSTEM**

**RESTORATION OF ALLOWANCE PURCHASING POWER  
THROUGH SUPPLEMENTAL BENEFIT PAYMENTS**

Retirees' Purchasing Power Protection Account Payments

<u>Year</u>	<u>Purchasing Power</u>	<u>Count</u>	<u>Total \$ Paid</u>	<u>Income Source</u>		
				<u>School Lands</u>	<u>Investment Earnings</u>	<u>General Fund</u>
83-84	58.4%	35,654	\$ 21,394,183	\$ n/a	\$ 894,183	\$ 20,500,000
84-85	62.4%	57,189	54,306,976	10,119,124	2,426,456	41,761,396
85-86	65.5%	56,811	85,675,243	7,770,757	3,994,458	73,910,028
86-87	68.2%	57,343	122,275,289	4,167,970	5,511,448	112,595,871
87-88	68.2%	59,092	128,231,357	6,083,374	5,317,456	116,830,527
88-89	68.2%	58,037	143,061,285	4,479,266	5,956,019	132,626,000
89-90	68.2%	55,971	158,274,048	2,751,075	n/a	155,522,973 <sup>a</sup>

<sup>a</sup> The 89-90 appropriation was from the Teachers' Retirement Fund. This amount plus regular interest was repaid from General Fund contributions to the SBMA.

Supplemental Benefit Payments

<u>Year</u>	<u>Purchasing Power</u>	<u>Count</u>	<u>Total \$ Paid</u>	<u>Income Source</u>		
				<u>School Lands</u>	<u>Teachers' Retirement Fund</u>	<u>SBMA</u>
90-91	68.2%	52,199	\$168,922,827	\$2,964,211	\$111,103,596	\$54,855,020
91-92	68.2%	48,650	178,057,887	2,913,338	56,985,521	118,159,028
92-93	68.2%	54,029	184,551,442	6,658,800	0	177,892,642
93-94	68.2%	49,113	178,886,980	4,225,808	0	174,661,172
94-95	68.2%	46,459	168,359,918	4,973,687	0	163,386,231
95-96	68.2%	41,703	168,517,183	1,171,779	0	167,345,404
96-97	68.2%	38,939	159,786,521	1,870,825	0	157,915,696
97-98	68.2% <sup>b</sup> /75.0%	44,887	179,308,000	2,586,920	0	176,721,080
98-99	75.0%	42,624	197,860,324	4,168,363	0	193,691,961
99-00	75.0%	41,048	190,478,334	2,704,171	0	187,774,163
00-01	75.0%	44,699	189,388,495	4,023,007	0	185,365,488
01-02 <sup>c</sup>	80.0%	60,428	256,976,205	7,967,992	0	249,008,212
02-03	80.0%	58,591	233,814,578	3,543,362	0	230,271,216
03-04	80.0%	55,779	223,501,415	2,922,844	0	220,578,571
04-05	80.0%	57,079	221,271,471	3,318,095	0	217,953,375
05-06	80.0%	54,360	215,257,813	4,301,959	0	210,955,854
06-07	80.0%	56,002	230,336,755	6,205,860	0	224,130,894
07-08	80.0%	53,122	229,860,350	6,522,856	0	223,337,493
08-09	85.0% <sup>d</sup>	89,142	348,105,380	7,036,201	0	341,069,179
09-10	85.0%	63,949	272,579,523	6,334,670	0	266,244,852
10-11 <sup>e</sup>	85.0%	53,870	250,031,604	4,208,000	0	245,823,604

<sup>b</sup> Percentage changed to 75% effective 1/1/98 and payable 4/1/98 (Chapter 939, Statutes of 1997)

<sup>c</sup> Percentage changed to 80% effective 1/1/2002 and payable 10/1/2001 (Chapter 840, Statutes of 2001)

<sup>d</sup> Percentage changed to 85% effective 9/30/2008 and payable 10/1/2008 (Chapter 751, Statutes of 2008)

<sup>e</sup> All 2010-11 figures are estimated.

**CALIFORNIA  
STATE TEACHERS' RETIREMENT SYSTEM**

**RESTORATION OF ALLOWANCE PURCHASING POWER  
THROUGH SUPPLEMENTAL BENEFIT PAYMENTS**

SUPPLEMENTAL BENEFIT MAINTENANCE ACCOUNT RESERVE

<u>Year</u>	<u>General Fund Contributions</u>	<u>Elk Hills Receipts</u>	<u>Benefit Payment</u>	<u>Interest</u>	<u>Reserve</u>
95-96	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
96-97	271,223,099	0	157,915,697	0	113,307,403 <sup>f</sup>
97-98	367,227,622	0	176,721,080	9,064,592	312,878,536
98-99	83,479,543	36,000,000 <sup>g</sup>	193,691,961	25,030,283	263,696,401
99-00	417,943,519	0	187,774,163	21,095,712	514,961,469
00-01	447,670,301	36,000,000	185,365,488	44,795,031	858,061,313
01-02	487,024,624	36,000,000	249,008,212	68,644,905	1,200,722,630
02-03	544,984,268	36,000,000	230,271,216	96,057,810	1,647,493,492
03-04	58,867,986 <sup>h</sup>	36,000,000	220,578,571	117,347,121	1,639,130,028
04-05	584,924,682	36,000,000	217,953,375	131,673,811	2,173,231,737
05-06	583,073,407	83,520,000	210,955,854	173,858,539	2,802,727,828
06-07	596,684,180	0	224,130,894	224,218,226	3,399,499,340
07-08	1,121,500,844 <sup>i</sup>	0	223,337,493	271,959,947	4,569,622,638
08-09	708,707,240 <sup>j</sup>	0	341,069,179	365,569,811	5,302,830,510
09-10	652,176,963	0	266,244,852	424,226,441	6,112,989,062
10-11 <sup>k</sup>	632,653,180	0	245,823,604	489,039,125	6,988,857,762

<sup>f</sup> Total contributions received from the General Fund were \$332,513,817 of which \$61,290,717 was used to pay the loan balance from the Teachers' Retirement Fund, and \$157,915,697 was used for purchasing power payments. The remaining balance of \$113,307,403 established the SBMA reserve account at June 30, 1997.

<sup>g</sup> General Fund contributions of \$403,479,543 minus a one time reduction of \$320,000,000 per Chapter 939, Statutes of 1997 which occurred as a direct result of the sale of the Elk Hills Naval Petroleum Reserve by the Federal Government.

<sup>h</sup> General Fund contributions of \$558,867,986 minus a one time reduction of \$500,000,000 per Chapter 6, Statutes of 2003 (SBX1-20).

<sup>i</sup> Total contributions of \$1,121,500,844 received from the General Fund of which \$500,000,000 was from the lawsuit STRS vs. Genest and Chiang.

<sup>j</sup> FY08-09 Ed Code §22954 was amended under §5 of AB1389, that the transfer be reduced by \$66,386,000 and the transfer be made on two equal payments (Nov. 1 & April 1). Total contribution for FY08-09 is \$597,474,363.17.

<sup>k</sup> All 2010-11 figures are estimated

## CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

FISCAL YEAR 2009-2010

SBMA RECIPIENTS <sup>1</sup> CHARACTERISTICS BY MONTHLY ALLOWANCE PAYABLE

## Members

Monthly Allowance Payable Range	Count	Average					
		Age as of 6/30/10	Age at Initial Benefit	Total Service Credit <sup>2</sup>	Final Comp	Monthly Allowance Payable	Monthly SBMA
<100	257	86.0	59.3	3.816	\$1,099.63	\$67.08	\$20.07
100 - 200	724	87.3	58.8	6.529	926.24	152.95	57.58
200 - 300	962	86.8	58.7	8.806	1,164.96	250.99	98.26
300 - 400	1,053	86.3	58.5	10.688	1,380.34	351.06	152.67
400 - 500	1,031	86.6	58.5	12.134	1,530.03	449.93	217.72
500 - 1000	4,950	86.1	58.9	14.783	1,966.30	753.55	321.39
1000 - 2000	18,222	84.8	59.1	22.851	2,423.08	1,570.77	433.68
2000 - 3000	13,699	83.1	60.3	29.003	3,180.25	2,434.37	322.93
3000 - 4000	5,726	82.7	61.3	33.365	3,788.30	3,402.25	279.32
4000 - 5000	1,443	82.5	61.6	35.666	4,563.74	4,382.40	290.20
5000 - 6000	389	82.6	61.9	36.953	5,468.10	5,406.53	307.55
>=6000	171	82.7	62.4	37.358	6,531.40	6,802.52	286.12
<b>Total</b>	<b>48,627</b>	<b>84.3</b>	<b>59.8</b>	<b>24.433</b>	<b>2,757.29</b>	<b>1,973.71</b>	<b>342.00</b>

## Beneficiaries

Monthly Allowance Payable Range	Count	Average					
		Age as of 6/30/10	Age at Initial Benefit	Total Service Credit <sup>2</sup>	Final Comp	Monthly Allowance Payable	Monthly SBMA
<100	67	75.5	55.3	4.749	\$978.89	\$68.51	\$45.76
100 - 200	172	77.2	52.0	9.767	831.53	145.62	173.42
200 - 300	157	79.1	57.9	10.914	1,275.16	250.79	199.84
300 - 400	179	81.6	62.0	12.268	1,438.52	349.49	288.60
400 - 500	235	80.4	61.9	14.687	1,722.57	452.30	317.42
500 - 1000	1,639	80.9	62.4	21.808	1,972.93	754.76	478.17
1000 - 2000	2,012	81.2	62.6	26.886	2,628.50	1,467.88	518.52
2000 - 3000	706	82.1	64.7	30.210	3,250.25	2,371.97	484.43
3000 - 4000	187	82.3	66.1	33.386	3,978.20	3,394.57	453.67
4000 - 5000	53	81.5	65.9	34.347	4,862.54	4,391.45	357.15
5000 - 6000	7	77.4	65.4	38.055	6,117.78	5,246.69	467.43
>=6000	5	85.0	68.1	40.284	6,597.77	6,358.89	271.28
<b>Total</b>	<b>5,419</b>	<b>81.0</b>	<b>62.4</b>	<b>23.815</b>	<b>2,392.58</b>	<b>1,298.94</b>	<b>455.41</b>

<sup>1</sup>Total service credit, final comp and monthly allowance payable must be greater than zero<sup>2</sup> May reflect service credit projection for members retired from disability

Source: IR 24936

## CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

FISCAL YEAR 2009-2010

SBMA RECIPIENTS <sup>1</sup> CHARACTERISTICS BY AGE RANGE

## Members

Age Range as of 6-30-10	Count	Average			
		Total Service Credit <sup>2</sup>	Final Comp	Monthly Allowance Payable	Monthly SBMA
<60	30	9.392	\$2,744.78	\$1,847.25	\$123.87
60 – 64.9	115	28.185	3,667.79	1,754.98	269.42
65 – 69.9	219	27.709	3,413.67	1,768.51	277.10
70 – 74.9	1,193	22.834	3,391.25	1,835.65	108.20
75 – 79.9	9,347	25.506	3,390.17	2,206.34	117.85
80 – 84.9	17,105	25.334	3,029.51	2,230.50	239.42
85 – 89.9	13,167	23.778	2,441.68	1,830.21	412.43
90 – 94.9	5,705	22.392	1,880.63	1,434.98	684.78
95 – 99.9	1,523	22.189	1,426.35	1,220.16	1,043.24
>=100	223	21.901	998.93	998.03	1,270.73
<b>Total</b>	<b>48,627</b>	<b>24.433</b>	<b>2,757.29</b>	<b>1,973.71</b>	<b>342.00</b>

## Beneficiaries

Age Range as of 6-30-10	Count	Average			
		Total Service Credit <sup>2</sup>	Final Comp	Monthly Allowance Payable	Monthly SBMA
<60	156	19.218	\$2,051.23	\$890.69	\$236.45
60 – 64.9	218	24.020	2,611.83	847.08	200.99
65 – 69.9	350	22.936	2,724.59	1,030.36	224.24
70 – 74.9	533	19.915	2,516.72	1,217.92	298.98
75 – 79.9	833	23.460	2,752.16	1,504.43	318.87
80 – 84.9	1,286	24.422	2,514.83	1,475.91	396.47
85 – 89.9	1,185	24.695	2,300.28	1,359.58	538.16
90 – 94.9	641	25.231	1,886.03	1,146.31	809.62
95 – 99.9	187	26.450	1,484.82	973.08	983.34
>=100	30	28.230	1,398.63	883.23	1,110.09
<b>Total</b>	<b>5,419</b>	<b>23.815</b>	<b>2,392.58</b>	<b>1,298.94</b>	<b>455.41</b>

<sup>1</sup>Total service credit, final comp and monthly allowance payable must be greater than zero<sup>2</sup> May reflect service credit projection for members retired from disability

Source: IR 24936