From:	Lena Young-Gallardo
To:	BSD-CBO List; BSD-FinMgrsMeet List; Newpy List; Persadmin List
Cc:	BSD-ExecutiveStaffList
Subject:	CalPERS and CalSTRS Contribution Rates FY 2024-25
Date:	Friday, June 14, 2024 1:47:57 PM
Attachments:	200-021-24 2024-25 School Employer and Employee Contribution Rates - CalPERS.pdf image001.png Employer Directive 2024-04 Contribution and Interest Rates and Present Value Factor for Fiscal Year 2024-2025.pdf

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Happy Friday!

CalPERS and CalSTRS have both issued their FY 2024-25 employee and employer rates along with their respective correspondence which is attached. CalPERS employer contribution rate has increased to 27.05% while CalSTRS employee and employer rates remained the same. Below are the contribution rates that will be entered into the financial system with a 07/01/2024 effective date:

CalPERS

Employee Contribution Rate:	7.00%	Classic members
	8.00%	PEPRA members
Employer Contribution Rate:	27.05%	

CalSTRS

Employee Contribution Rate:	10.25%	2% @ 60 members
	10.205%	2% @ 62 members
Employer Contribution Rate:	19.10%	

Thanks,
Lena

Transforming lives through education
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CalPERS

Menu

2024-25 School Employer and Employee Contribution Rates

May 9, 2024
Circular Letter: 200-021-24
Topic: Actuarial

To: All School Employers

Purpose

The purpose of this Circular Letter is to inform you of the following employer and employee pension contribution rates approved by the California Public Employees' Retirement System (CalPERS) Board of Administration on April 16, 2024. These rates will be in effect for fiscal year (FY) 2024-25.

Employer Contribution

The employer contribution rate for FY 2024-25 will increase from 26.68% to 27.05% of payroll, effective with the first payroll period ending in July 2024.

Employee (Member) Contributions

There will be no changes in the member contribution rates in FY 2024-25 for school employees. In accordance with the Public Employees' Pension Reform Act (PEPRA), PEPRA members employed by schools are required to contribute at least 50% of the total normal cost rate of their pension benefit. PEPRA contains a provision that states when the total normal cost rate changes by more than 1% of payroll, the member contribution rate must be adjusted to half of the new normal cost rate. For FY 2024-25, the total normal cost rate for PEPRA school members has not changed by more than 1% of payroll since the last member rate adjustment. As a result, the member contribution rate for PEPRA members will remain at 8.00%. The member contribution rate for classic members is set by statute and will remain at 7.00%.

Additional Information

More information can be found on the CalPERS website, Agenda Item 5f (PDF) from the Finance & Administration Committee meeting held on April 15, 2024. The complete actuarial valuation report is expected to be available on the CalPERS website this summer.

Questions

If you have questions, call our CalPERS Customer Contact Center at **888 CalPERS** (or **888**-225-7377).

Scott Terando, Chief Actuary
Actuarial Office

Updated: May 9, 2024

California State Teachers'
Retirement System
Executive Office
PO Box 15275
Sacramento, CA 95851-0275
800-228-5453
CalSTRS.com

June 03, 2024

TO: All County Superintendents of Schools
District Superintendents of Schools
Community College Districts and
Other Employing Agencies

FROM: Cassandra Lichnock
Chief Executive Officer

SUBJECT: Employer Directive 2024-04
Supersedes Employer Directive 2023-03
Contribution and Interest Rates and Present Value Factor for Fiscal Year 2024–2025

PURPOSE:

This directive communicates the following rates and present value factors for the CalSTRS Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs, as set forth in statute and as adopted by the Teachers' Retirement Board:

- Member and employer contribution rates – Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs
- Regular and credited interest rates – Defined Benefit Program
- Minimum interest rate – Cash Balance Benefit Program and Defined Benefit Supplement Program
- Penalties and interest rate – Defined Benefit Program and Cash Balance Benefit Program
- Permissive service credit contribution rate – Defined Benefit Program
- Employer contribution rates for elected officials of employee organizations and CalSTRS Reduced Workload Program
- Present value factor for unused excess sick leave service credit

Please note the factors used to calculate the cost of CalSTRS two-year retirement incentives are included in a separate directive.

SCOPE:

This directive applies to all county superintendents of schools, school districts, community college districts and other employing agencies that employ persons to perform creditable service under the CalSTRS Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs.

DISCUSSION:

Member and Employer Contribution Rates – Defined Benefit Program:

Each employer must contribute to CalSTRS a specified percentage of the total creditable compensation earned by the employees who are members of the Defined Benefit Program.

Member and employer contribution rates are set in California Education Code sections 22901, 22950 and 22951 for the Defined Benefit Program. Effective July 1, 2014, Assembly Bill 1469 (Chapter 47, Statutes of 2014) added Sections 22901.7 and 22950.5 to the California Education Code, which mandate additional member and employer contributions for creditable compensation for service performed on or after July 1, 2014.

Pursuant to AB 1469 (Chapter 47, Statutes of 2014), CalSTRS 2% at 60 member contributions will no longer increase after July 1, 2016. CalSTRS 2% at 62 members are required to pay one half of the normal cost of their benefits as a result of the Public Employees' Pension Reform Act of 2013 (PEPRA), and CalSTRS is required to adjust the contribution rate accordingly.

Pursuant to AB 1469 (Chapter 47, Statutes of 2014), the employer contribution rate increased by a statutorily defined amount annually through 2020–21. Starting with fiscal year 2021–22, the board may make additional annual adjustments not to exceed a maximum amount of 20.25%.

The Defined Benefit Program member and employer contribution rates are as follows:

Fiscal year creditable service was performed	Defined Benefit member contribution rate CalSTRS 2% at 60	Defined Benefit member contribution rate CalSTRS 2% at 62	Defined Benefit employer contribution rate
Prior to 7/1/2014	8.00%	8.00%	8.25%
2014–15	8.15%	8.15%	8.88%
2015–16	9.20%	8.56%	10.73%
2016–17	10.25%	9.205%	12.58%
2017–18	10.25%	9.205%	14.43%
2018–19	10.25%	10.205%	16.28%
2019–20	10.25%	10.205%	17.10%[1]
2020–21	10.25%	10.205%	16.15%[1]
2021–22	10.25%	10.205%	16.92%[1]
2022–23	10.25%	10.205%	19.10%
2023–24	10.25%	10.205%	19.10%
2024–25	**10.25%**	**10.205%**	**19.10%**

[1] The 2020–21 state budget re-directed the supplemental payment paid by the state on behalf of employers as part of the 2019–20 state budget. The supplemental payment was used to reduce the contribution rate for employers by 1.03% of payroll in 2019–20, 2.95% of payroll in 2020–21 and 2.18% of payroll in 2021–22.

Member and employer contribution rates – Defined Benefit Supplement Program:

Employer and member contribution rates are set in statute for the Defined Benefit Supplement Program. Effective July 1, 2014, AB 1469 (Chapter 47, Statutes of 2014), specifies that the amount of required member contributions creditable to the Defined Benefit Supplement Program remains 8.00% for CalSTRS 2% at 60 members and remains half of the normal cost rate, as adopted by the board, for CalSTRS 2% at 62 members pursuant to California Education Code section 22901.

The employer contribution rate for compensation that is creditable to the Defined Benefit Supplement Program for all CalSTRS members remains 8.25% pursuant to California Education Code sections 22950 and 22951. Of this amount, 8.00% is credited to the member's Defined Benefit Supplement account, and 0.25% is credited to the Defined Benefit Program to pay for the cost of service credit for unused sick leave.

If CalSTRS collects contributions in excess of the rates established in California Education Code sections 22901, 22950 and 22951 on compensation creditable to the member's Defined Benefit Supplement account, CalSTRS is required to return the excess member and employer contribution amounts to the employer, and the employer is required to return the excess member contributions to the employee.

The Defined Benefit Supplement Program member and employer contribution rates are as follows:

	Contribution rates for 2% at 60	**Contribution rates for 2% at 62**	**California Education Code section**
Defined Benefit Supplement employer contribution rate:	8.25%	8.25%	22905, 22950, 22951
Defined Benefit Supplement member contribution rate:	8.00%	9.00%	22901, 22905

Participant and employer contribution rates – Cash Balance Benefit Program:

Pursuant to California Education Code section 26504, the participant and employer contribution rates for the Cash Balance Benefit Program may be negotiated through the collective bargaining process and may vary by employer, provided all the statutory minimum contribution rates for the Cash Balance Benefit Program are met.

AB 1381 (Chapter 559, Statutes of 2013) amended California Education Code section 26504 to allow Cash Balance contribution rates that were bargained for prior to January 1, 2014, to remain in effect as outlined in the collective bargaining agreement for Cash Balance participants whose bargaining agreements were still in effect as of January 1, 2014. However, employers cannot negotiate new collective bargaining agreements or extend, renew or amend current bargaining agreements in which the employee contribution rate is less than the employer contribution rate.

Interest rates:

Regular interest rate means an interest rate that is equal to the actuarially assumed rate of return on investments on assets of the Defined Benefit Program and is adopted annually by the board as a plan amendment with respect to the Defined Benefit Program. The regular interest rate is used by the Defined Benefit Program to charge interest on (1) previously refunded retirement contributions when a member elects to redeposit those contributions, and (2) installment payments for the (a) redeposit of contributions or (b) purchase of additional service credit. This rate is also used to charge employers interest on delinquent contributions and for reporting penalties. Finally, if there is a delay in the initial allowance payment, CalSTRS pays the benefit recipient interest on the allowance payment at the regular interest rate.

The credited interest rate is the interest that is credited to members' Defined Benefit accumulated retirement contributions, excluding all accumulated contributions while being paid an allowance. The credited interest rate is adopted annually by the board as a plan amendment with respect to the Defined Benefit Program.

The minimum interest rate is the rate used to credit interest to participant and member account balances with respect to the Cash Balance Benefit and Defined Benefit Supplement programs, respectively. The minimum interest rate for both the Cash Balance Benefit and Defined Benefit Supplement programs is adopted annually by the board as a plan amendment.

CalSTRS must assess penalties and interest on employers for late reports and late or insufficient contributions to the Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs. The interest is assessed at the regular interest rate.

The rates for fiscal year 2024–25 are as follows:

	Rate for FY 2024–25	**Rate for FY 2023–24**	**California Education Code section**
Regular interest rate	7.00%	7.00%	22162
Credited interest rate: Defined Benefit Program	4.61%	3.49%	22216
Minimum interest rate: Cash Balance Benefit Program	4.19%	3.35%	26604
Minimum interest rate: Defined Benefit Supplement Program	4.61%	3.49%	25005
Interest rate for late remittance contributions	7.00%	7.00%	23003, 26303
Penalty rate for late or unacceptable monthly reports	7.00%	7.00%	23006, 23008, 26301, 26302

Permissive service credit contribution rate – Defined Benefit Program:

Members may purchase permissive service credit, which is service credit related to activities that were previously undertaken by the member. Examples of permissive service credit include, but are not limited to, teaching at a state college or university in California, employment in a public school in another state, maternity or paternity leave, and military leave.

The permissive service credit contribution rates for fiscal year 2024–25 are as follows.

Age	CalSTRS 2% at 60 rates for FY 2024–25	CalSTRS 2% at 62 rates for FY 2024–25
Below 28	21.50%	19.70%
28	21.50%	19.70%
29	21.50%	19.70%
30	21.50%	19.70%
31	21.50%	19.70%
32	21.50%	19.70%
33	21.50%	19.70%
34	21.50%	19.80%
35	21.50%	19.80%
36	21.60%	19.90%
37	21.70%	20.00%
38	21.80%	20.10%
39	22.00%	20.30%
40	22.20%	20.50%
41	22.40%	20.70%
42	22.60%	20.90%
43	22.90%	21.10%
44	23.20%	21.40%
45	23.60%	21.70%
46	23.90%	22.10%
47	24.30%	22.40%
48	24.80%	22.80%
49	25.20%	23.20%
50	25.70%	23.70%
51	26.20%	24.10%
52	26.80%	24.60%
53	27.40%	25.20%
54	28.00%	25.70%
55	28.60%	26.30%
56	29.30%	26.90%

Age	CalSTRS 2% at 60 rates for FY 2024–25	CalSTRS 2% at 62 rates for FY 2024–25
57	30.00%	27.50%
58	30.70%	28.10%
59	31.50%	28.80%
60	32.30%	29.50%
61	33.10%	30.20%
62	34.00%	31.00%
63	34.90%	31.70%
64	34.20%	32.50%
65	33.50%	33.40%
66	32.80%	32.10%
67	32.00%	31.40%
68	31.30%	30.70%
69	30.50%	29.90%
70	29.70%	29.20%
71	28.90%	28.40%
72	28.00%	27.60%
73 and above	27.20%	26.70%

Employer contribution rates for elected officials and CalSTRS Reduced Workload Program:

Each year, the board adopts employer contribution rates for members who are on a compensated leave of absence to serve as an elected official of an employee organization and for members who participate in the Reduced Workload Program during the new fiscal year.

The employer contribution rates for CalSTRS 2% at 60 and CalSTRS 2% at 62 Elected Officials and Reduced Workload Program participants are as follows:

	Employer rate for FY 2024–25	Employer rate for FY 2023–24	California Education Code section
Elected officials of employee organization	19.10%	19.10%	22711
Reduced Workload Program participants	19.10%	19.10%	22713

Unused excess sick leave service credit:

The present value factor used to calculate the cost of a member's allowance attributable to unused excess sick leave days for July 1, 2024, through June 30, 2025, remains the same as the previous fiscal year. The cost of unused excess sick leave service credit must be paid to CalSTRS by the employer before the member can receive the benefit.

The present value factor for unused excess sick leave service credit is as follows:

	Rate for FY 2024–25	**Rate for FY 2023–24**	**California Education Code section**
Present value factor for unused excess sick leave service credit	0.335	0.335	22311.7, 22718

ACTION:

When reporting the member contribution rates for creditable compensation reported to the Defined Benefit Program for creditable service performed on or after July 1, 2024, report the rates as follows on the F496:

- Retirement formula 2% at 60 rate of 10.25%: Report as 1025, blank or zeros
- Retirement formula 2% at 62 rate of 10.205%: Report as blank or zeros

This employer directive does not take precedence over the law. A copy of the current Teachers' Retirement Law is available on SEW under *Reference Items* or online at CalSTRS.com/information-about-CalSTRS.

If you have any questions regarding this employer directive, please contact EmployerHelp@CalSTRS.com.