



California State Teachers'  
Retirement System  
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TO: All County Superintendents of Schools  
District Superintendents of Schools  
Community College Districts and  
Other Employing Agencies

FROM: Cassandra Lichnock  
EXECUTIVE OFFICE

SUBJECT: Employer Directive 2023-03  
***Supersedes Employer Directive 2022-06***  
Contribution and Interest Rates and Present Value Factor for Fiscal Year 2023–  
2024

PURPOSE:

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

- Member and Employer Contribution Rates – DB, DBS and CB Benefit programs
- Regular and Credited Interest Rates – DB Program
- Minimum Interest Rate – CB Benefit Program and DBS Program
- Penalties and Interest Rate – DB Program and CB Benefit Program
- Permissive Service Credit Contribution Rate – DB Program
- Employer Contribution Rates for Elected Officials of Employee Organizations and 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 DB, DBS and CB Benefit programs.

DISCUSSION:

**Member and Employer Contribution Rates – DB Program:**

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

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

Pursuant to 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 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 DB Program member and employer contribution rates are as follows:

<b>Fiscal Year Creditable Service Performed In</b>	<b>DB Member Contribution Rate CalSTRS 2% at 60</b>	<b>DB Member Contribution Rate CalSTRS 2% at 62</b>	<b>DB Employer Contribution Rate</b>
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% <sup>1</sup>
2020–21	10.25%	10.205%	16.15% <sup>1</sup>
2021–22	10.25%	10.205%	16.92% <sup>1</sup>
2022–23	10.25%	10.205%	19.10%
<b>2023–24</b>	<b>10.25%</b>	<b>10.205%</b>	<b>19.10%</b>

<sup>1</sup> 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 – DBS Program:**

Employer and member contribution rates are set in statute for the DBS Program. Effective July 1, 2014, Chapter 47, Statutes of 2014, specifies that the amount of required member contributions creditable to the DBS 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 Education Code section 22901.

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

If CalSTRS collects contributions in excess of the rates established in Education Code sections 22901, 22950 and 22951 on compensation creditable to the member’s DBS 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 DBS Program member and employer contribution rates are as follows:

	<b>Contribution Rates for 2% at 60</b>	<b>Contribution Rates for 2% at 62</b>	<b>Education Code Section</b>
DBS Employer Contribution Rate:	8.25%	8.25%	22905, 22950, 22951
DBS Member Contribution Rate:	8.00%	9.00%	22901, 22905

**Participant and Employer Contribution Rates – CB Benefit Program:**

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

Chapter 559, Statutes of 2013 (AB 1381–PER&SS), amended Education Code section 26504 to allow CB contribution rates that were bargained for prior to January 1, 2014, to remain in effect as outlined in the collective bargaining agreement for CB 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 DB Program and is adopted annually by the board as a plan amendment with respect to the DB Program. The Regular Interest Rate is used by the DB 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' DB accumulated retirement contributions for service performed after June 30, 1935, 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 DB Program.

The *Minimum Interest Rate* is the rate used to credit interest to participant and member account balances with respect to the CB Benefit and DBS programs, respectively. The Minimum Interest Rate for both the CB Benefit and DBS 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 DB, DBS and CB Benefit programs. The interest is assessed at the Regular Interest Rate.

The rates for fiscal year 2023–24 are as follows:

	<b>Rate for FY 2023–24</b>	<b>Rate for FY 2022–23</b>	<b>Education Code Section</b>
Regular Interest Rate	7.00%	7.00%	22162
Credited Interest Rate: Defined Benefit Program	3.49%	0.43%	22216
Minimum Interest Rate: Cash Balance Benefit Program	3.35%	2.09%	26604
Minimum Interest Rate: Defined Benefit Supplement Program	3.49%	2.09%	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 – DB 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.

For fiscal year 2023–24, the board elected to maintain the permissive service credit rates that were in effect for fiscal year 2022–23. The permissive service credit contribution rates for fiscal year 2023–24 are as follows.

<b>Age</b>	<b>CalSTRS 2% at 60 Rates for FY 2023–24</b>	<b>CalSTRS 2% at 62 Rates for FY 2023–24</b>
Below 28	21.5%	18.8%
28	21.5%	18.8%
29	21.5%	18.8%
30	21.5%	18.8%
31	21.5%	18.8%
32	21.5%	18.8%
33	21.5%	18.8%
34	21.5%	18.8%
35	21.5%	18.8%
36	21.5%	18.9%
37	21.6%	18.9%
38	21.8%	19.0%
39	21.9%	19.2%
40	22.1%	19.3%
41	22.3%	19.5%
42	22.6%	19.8%
43	22.8%	20.0%
44	23.1%	20.3%
45	23.5%	20.6%
46	23.8%	20.9%
47	24.2%	21.3%
48	24.7%	21.7%
49	25.1%	22.1%
50	25.6%	22.5%
51	26.1%	23.0%
52	26.7%	23.5%
53	27.2%	24.0%
54	27.8%	24.5%
55	28.5%	25.1%
56	29.1%	25.7%

<b>Age</b>	<b>CalSTRS 2% at 60 Rates for FY 2023–24</b>	<b>CalSTRS 2% at 62 Rates for FY 2023–24</b>
57	29.8%	26.3%
58	30.6%	27.0%
59	31.3%	27.7%
60	32.1%	28.4%
61	32.9%	29.1%
62	33.8%	29.9%
63	34.7%	30.7%
64	34.3%	31.5%
65	33.6%	32.4%
66	32.9%	32.3%
67	32.2%	31.6%
68	31.5%	30.9%
69	30.8%	30.2%
70	30.0%	29.5%
71	29.2%	28.7%
72	28.4%	28.0%
73 and above	27.6%	27.2%

**Employer Contribution Rates for Elected Officials and 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 (RWP) during the new fiscal year.

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

	<b>Employer Rate for FY 2023–24</b>	<b>Employer Rate for FY 2022–2023</b>	<b>Education Code Section</b>
Elected Officials of Employee Organization	19.10%	19.10%	22711
Reduced Workload Program	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, 2023, through June 30, 2024, 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:

	<b>Rate for FY 2023–24</b>	<b>Rate for FY 2022–23</b>	<b>Education Code Section</b>
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 DB Program for creditable service performed on or after July 1, 2023, 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](http://calstrs.com/information-about-calstrs).

If you have any questions regarding this employer directive, please contact [EmployerHelp@CalSTRS.com](mailto:EmployerHelp@CalSTRS.com).