



FACT SHEET: PENSIONS

Information Update for CalPERS School Members and Employers

CalPERS school members and employers have recently raised questions about the impacts to member and employer contributions, if any, by the adoption of a comprehensive Funding Plan for the California State Teachers' Retirement System (CalSTRS) and the addition of a new Local Control Funding Formula.

This fact sheet is intended to provide some background on these topics and answer frequently asked questions.

BACKGROUND

In 2014, Governor Brown signed into law Assembly Bill 1469 as part of the state's 2014-15 fiscal year budget. The new law increases member, employer and state contributions to CalSTRS over the next several years to help close the pension system's funding gap and ensure long-term sustainability. Additionally, changes were made in California's K-12 finance system as part of the state's 2013-14 budget. For school districts and charter schools, a Local Control Funding Formula was added to replace the previous K-12 finance system, creating base, supplemental and concentration grants in place of funding streams, including revenue limits.

FREQUENTLY ASKED Q & A

Does CalSTRS Funding Plan impact the contribution rate for CalPERS school members?

No. CalPERS and CalSTRS are two different retirement systems with two different trust funds. The new CalSTRS Funding Plan did not change the contribution amounts that school employers and school members are required to contribute to CalPERS.

Does the new Local Control Funding Formula impact the employer required contribution rate for school employers participating in CalPERS?

No. School employers participating in CalPERS are required to make contributions based on the actuarially required employer contribution rate adopted by the CalPERS Board of Administration. The Board adopted the employer contribution rate of 11.847 percent for the period of July 1, 2015 through June 30, 2016 for the Schools Pool.

Does the new Local Control Funding Formula impact the member contribution rate for school members participating in CalPERS?

No. School members are only required to make contributions based on the contribution rates set in Statute. School members that meet the definition of a new member under the Public Employees' Pension Reform Act (PEPRA) are required to contribute at least half of the normal cost, currently 6% of reportable compensation (GCS 7522.30). Classic members are required to contribute 7% of reportable compensation (GCS 20677).

Can school members agree through collective bargaining to increase their member contributions?

Yes. However it is important to keep in mind that under current law any additional contributions a member agrees to make over and above their statutorily required contributions would be treated as employer contributions. For these additional contributions to be recognized as member contributions there would need to be a statute change in the Public Employee Retirement Law (PERL).