



Memo

Business Services

DATE: June 15, 2016
TO: Certificated Employees
FROM: Jenny Delgado
Administrative Director, Business Services

The purpose of this memorandum is to remind certificated employees of the change in State law which affected the CalSTRS retirement contributions for certificated employees and school districts in the State of California.

As a result of California AB 1469 (which was signed into law June 24, 2014), changes were made to the California Education Code to stabilize and improve the solvency of the CalSTRS retirement system over time. As part of this law, the rates employees and employers contribute toward CalSTRS retirement will increase in 2016-17.

If you were a member of CalSTRS prior to January 1, 2013, you are considered a “2% at 60 CalSTRS member.” Your employee contribution rate for CalSTRS will increase from 9.20% to 10.25% effective July 1, 2016.

If you became a member of CalSTRS on or after January 1, 2013, you are considered a “2% at 62 CalSTRS member.” Your employee contribution rate for CalSTRS will increase from 8.56% to 9.205% effective July 1, 2016. Due to the changes to retirement benefits made under the Public Employees’ Pension Reform Act, commonly referred to as PEPPRA, 2% at 62 members of CalSTRS have a lower increase in their employee contribution rate compared to the 2% at 60 members.

AB 1469 also increases the District’s contribution each year until July 1, 2020, capping the District’s contribution on behalf of each certificated employee at 19.1%. For the 2016-17 school year, Orange Unified School District’s CalSTRS contribution on behalf of each certificated employee will increase from 10.73% to 12.58%.

The following chart illustrates the projected rates employees and employers are expected to contribute over the next few years.

**California State Teacher’s Retirement System (CalSTRS)
 Schedule of Contribution Rate Increases**

| CALSTRS CONTRIBUTION RATES | | | | | | | | |
|-----------------------------------|---------|---------|---------|---------------|---------|---------|---------|---------|
| | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| 2% @ 60 Employee Rate | 8.00% | 8.15% | 9.20% | 10.25% | 10.25% | 10.25% | 10.25% | 10.25% |
| 2% @ 62 Employee Rate | 8.00% | 8.15% | 8.56% | 9.205% | 9.205% | 9.205% | 9.205% | 9.205% |
| District Contribution Rate | 8.25% | 8.88% | 10.73% | 12.58% | 14.43% | 16.28% | 18.13% | 19.10% |

What does this mean?

Example: A CalSTRS member with an annual salary of \$60,000

2% at 60 member (Prior January 1, 2013):

2015-2016: \$60,000 x 9.20% = \$5,520 annual contribution
 2016-2017: \$60,000 x 10.25% = \$6,150 annual contribution
 Difference = \$630 increase in 2016-17 contribution (\$63 a month – over 10 months)

2% at 62 member (On or after January 1, 2013):

2015-2016: \$60,000 x 8.56% = \$5,136 annual contribution
 2016-2017: \$60,000 x 9.205% = \$5,523 annual contribution
 Difference = \$387 increase in 2016-17 contribution (\$38.70 a month – over 10 months)

District Contribution:

2015-2016: \$60,000 x 10.73% = \$6,438 annual contribution
 2016-2017: \$60,000 x 12.58% = \$7,548 annual contribution
 Difference = \$1,110 increase in 2016-17 contribution

For more information on the CalSTRS 2014 Funding Plan, click on the following link.
<http://www.calstrs.com/calstrs-2014-funding-plan>