



May 22, 2014

The CalSTRS issue was discussed today at noon at a joint Senate-Assembly committee hearing. Here are what the contribution rates for community colleges would be, as well as the cost over the period of increasing rates. Under the governor's plan, the fully phased-in increased rates would be continued until at least 2047.

Proposed STRS Contribution Rates			
	Employer	Employee	State
2013-14	8.25%	8%	3.1%
2014-15	9.5	9.2	3.45
2015-16	11.1	10.25	4.89
2016-17	12.7	10.25	6.33
2017-18	14.3	10.25	6.33
2018-19	15.9	10.25	6.33
2020-21	17.5	10.25	6.33
2021-22	19.1	10.25	6.33
Share of Solution	\$42B	\$20B	\$12B

The impact of these contribution increases would result in annual increased costs to community college districts as follows (assuming 2% COLA, 2% Growth):

Projected Increased STRS Contributions by CCDs	
Year	Increase
2014-15	\$28,000,000
2015-16	66,419,136
2016-17	107,896,838
2017-18	152,617,531
2018-19	200,775,552
2020-21	252,575,644
2021-22	308,233,486

While a plan to address the outstanding STRS liability appears imminent, policy-makers are wrestling with four primary questions:

1. What valuation funding target do you seek? (Governor seeks 100%, at

CalSTRS 7.5% rate of projected return)

2. What is the target year for reaching the target? (Governor seeks 2047)
3. What is the start date for increased employer and employee contributions? (Governor seeks July 1)
4. Should the state provide funding to school and community college districts for the increased contributions? (Governor does not, although both segments have significant new funding in budget, just not earmarked for STRS)

Sincerely,

A handwritten signature in dark ink, appearing to read "Scott Lay", with a stylized, cursive script.

Scott Lay

President and Chief Executive Officer, The League
Orange Coast College '94