

Regular Interest Rate - Defined Benefit Program

SUBJECT

Adoption of Fiscal Year 2023-24 Regular Interest Rate for the Defined Benefit Program

SUMMARY

The "Regular Interest Rate" is used by the Defined Benefit Program to charge interest among other items 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 payment of a retirement allowance for a CalSTRS retired member or beneficiary, CalSTRS pays the benefit recipient interest on the allowance payment at the Regular Interest Rate.

Section 22162 of the Education Code specifies that "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. As per board policy, the "Regular Interest Rate" is adopted annually by the board before July of the fiscal year in which the rate applies. Consistent with the investment return assumption for the Defined Benefit Program adopted by the board in January 2020, the Regular Interest Rate should remain at 7.00%.

RECOMMENDATION

Staff recommends the board adopt the Regular Interest Rate of 7.00% for the Defined Benefit Program, which is the current actuarially assumed rate of return on investments on assets of the Defined Benefit Program, for the 2023-24 fiscal year.

RESOLUTION
OF THE
TEACHERS' RETIREMENT BOARD

SUBJECT: Adoption of the Regular Interest Rate for the Defined Benefit Program for the 2023-24 Fiscal Year

RESOLUTION NO. XX-XX

WHEREAS, the Teachers' Retirement Law requires the Teachers' Retirement Board to adopt the Regular Interest Rate; and

WHEREAS, Section 22162 of the Education Code specifies that “Regular Interest” means interest that is equal to the actuarially assumed rate of return on investments on assets of the Defined Benefit Program. The regular interest rate shall be adopted annually by the board as a plan amendment with respect to the Defined Benefit Program; and

WHEREAS, on January 31, 2020 the Teachers' Retirement Board adopted 7.00% as the actuarially assumed rate of return on investments on assets of the Defined Benefit Program for all administrative purposes; therefore, be it

RESOLVED, that the Teachers' Retirement Board retains the Regular Interest Rate for the Defined Benefit Program at 7.00% per annum for the 2023-24 fiscal year.

Adopted by:
Teachers' Retirement Board
On May 3, 2023

Cassandra Lichnock
Chief Executive Officer

Reviewed by:

Brian J. Bartow
General Counsel