



## Proposed 2023–24 Operating Budget

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### **2023–24 Budget in Brief**

CalSTRS' 2022–25 Strategic Plan embarks on a set of goals and measurable objectives that define how our mission and vision will advance through 2025. This is a long-term endeavor, requiring comprehensive and sustainable solutions for today and many years to come. Accordingly, CalSTRS proposed 2023–24 budget incorporates these goals and objectives by developing a detailed operational and financial plan to deliver on annual and long-term objectives and targets.

Aligned with these objectives, CalSTRS proposed 2023–24 budget fosters **Enterprisewide Strategic Support** activities to advance CalSTRS' strategic plan goals and initiatives and to support enterprisewide growth. This includes funding for an additional 56 authorized positions to support *Enhanced Member Services, Compliance and Risk Management, Administrative and Operational Support, and Collaborative Model Investment Administrative Support* functions, and various Technology Service Contracts for ongoing maintenance and operations and various software enhancements.

Moreover, this budget includes adjustments for **Other Budgetary Changes** that are largely associated with nondiscretionary expenditures and one-time budget adjustments. This includes funding for the third year of scheduled expenditures for the continued implementation of the **Multi-Year Internal Investment Management Plan (Investment Management Plan)**, in support of the CalSTRS Collaborative Model, State Mandated adjustments to employee compensation and the Pro Rata Assessment issued by the Department of Finance (DOF) for the cost of providing central administrative services, and reversal of one-time 2022–23 contract costs for JLL property management services and system integration activities for the Pension Solution Project.

As a result, CalSTRS total 2023–24 budget is projected at \$712.3 million and includes 1,370 authorized positions. Of this amount, \$323.8 million is for External Investment Management,<sup>1</sup> and \$388.5 million represents the proposed Operating Budget, which reflects a net decrease of \$1.9 million, or (0.5%), compared to the revised 2022–23 Operating Budget.<sup>2</sup>

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<sup>1</sup> External Investment Management fees largely correlated to the value of assets under management and investment returns and are continuously appropriated. Continuous appropriations represent statutory expenditure authorization that exists from year to year without further legislative or board action.

<sup>2</sup> The 2022–23 Operating Budget was revised in the amount of \$15.9 million to continue system integration activities for the Pension Solution Project. Additional information is provided in the September 2022, Teachers' Retirement Board [\*Item 4 - Pension Solution Project Update and Budget Adjustment\*](#).

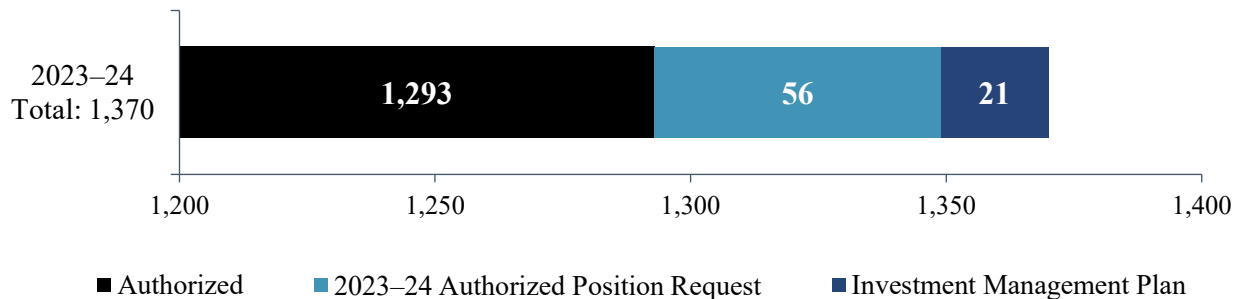
The following table summarizes CalSTRS’ prior year actuals, the revised 2022–23 and 2023–24 total budget and highlights changes by budget category between fiscal years 2022–23 and 2023–24.

**Three-Year Overview<sup>3</sup>**  
*(dollars in millions)*

Budget Category	Actual 2021–22	Revised 2022–23	Proposed 2023–24	\$ Change	% Change
<b>Operating Budget</b>					
Salaries	\$142.1	\$169.1	\$180.9	\$11.8	7%
Benefits	70.3	71.3	78.0	6.7	9%
Operating Expenses and Equipment	79.3	150.0	129.6	(20.4)	(14%)
<b>Total Operating Budget</b>	<b>291.7</b>	<b>390.4</b>	<b>388.5</b>	<b>(1.9)</b>	<b>(0.5%)</b>
External Investment Management <sup>4</sup>	245.7	312.6	323.8	11.2	4%
<b>Total Budget</b>	<b>\$537.4</b>	<b>\$703.0</b>	<b>\$712.3</b>	<b>\$9.3</b>	<b>1%</b>

The proposed 2023–24 Operating Budget includes 1,370 authorized positions, reflecting an increase of 77 positions to CalSTRS’ workforce,<sup>5</sup> or 6%, relative to the revised 2022–23 Operating Budget. This includes 21 authorized positions previously approved as part of the Investment Management Plan. A breakout of authorized positions by branch is provided in *Appendix 2*.

**Proposed 2023–24 Authorized Positions**



**Proposed 2023–24 Operating Budget Changes – (\$1.9) million**

As displayed above, the proposed 2023–24 Operating Budget is \$388.5 million, which reflects a total net decrease of \$1.9 million, or (0.5%), compared to the revised 2022–23 Operating Budget. This includes \$17.3 million for Enterprisewide Strategic Support resources to advance CalSTRS’ strategic plan goals and initiatives and to support enterprisewide growth. This is fully offset by a net reduction of \$19.2 million for Other Budgetary Changes.

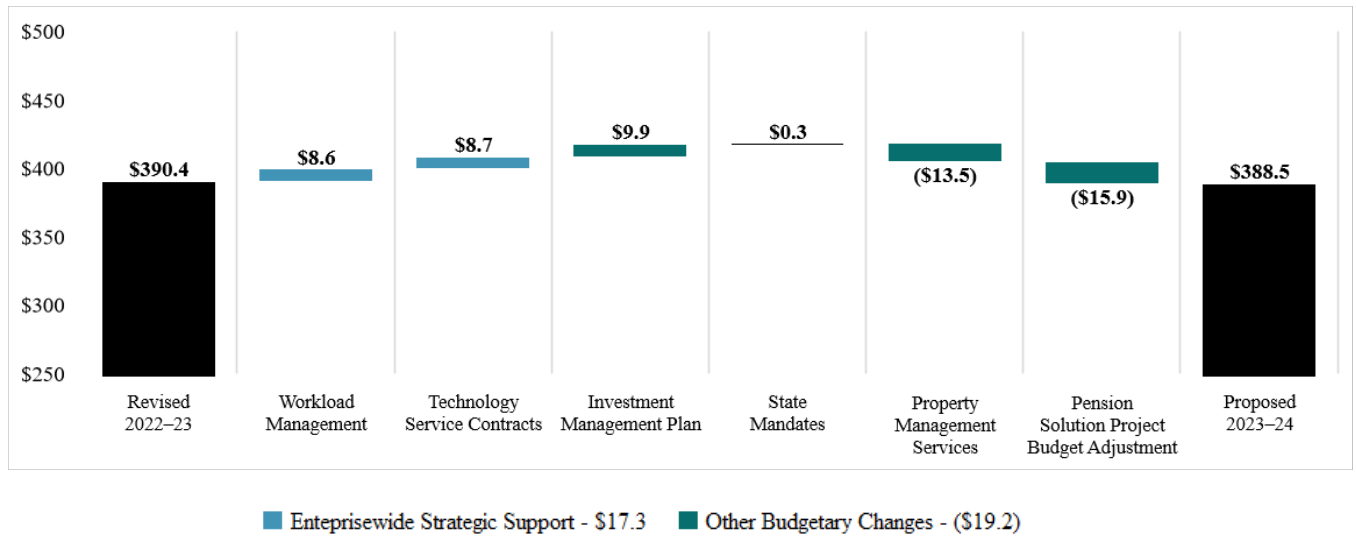
<sup>3</sup> The proposed 2023–24 Operating Budget by fund is provided in *Appendix 1*.

<sup>4</sup> External Investment Management fees do not require board approval and are presented for information purposes.

<sup>5</sup> CalSTRS workforce includes blanket positions, which are not included in the authorized position counts. Blanket positions provide staffing flexibility for urgent, one-time or limited-duration operational needs, are funded within existing appropriation authority and do not require formal authorization by the board, DOF or the Legislature.

The following chart displays the revised 2022–23 Operating Budget, total net budget changes, and the proposed 2023–24 Operating Budget. Additional information regarding these changes is provided below.

**Proposed 2023–24 Operating Budget Changes**  
*(dollars in millions)*

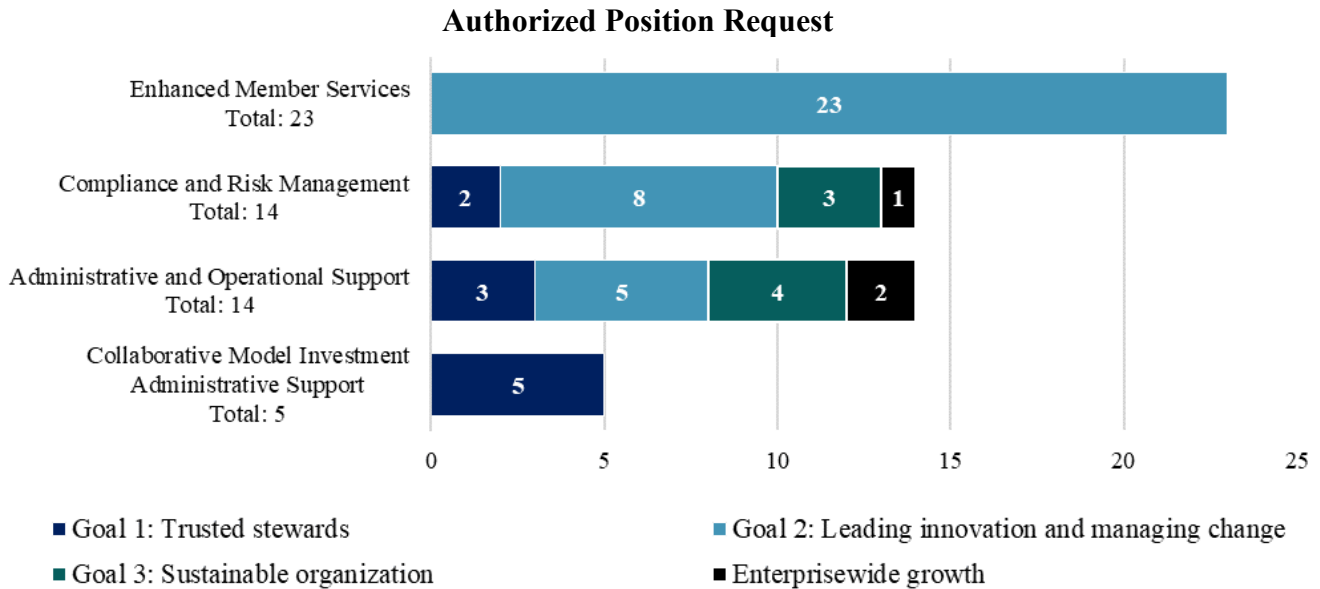


**Enterprise-wide Strategic Support – \$17.3 million**

Ensuring the system is adequately resourced is an essential component to successfully advance CalSTRS’ mission, vision and strategy. The proposed 2023–24 Operating Budget includes \$17.3 million for Enterprise-wide Strategic Support activities to achieve long-term strategic plan priorities and annual business plan initiatives. Collectively, this funding will further enhance the development, expansion, and continuous improvement efforts of programs and processes across the organization. This includes \$8.6 million to establish 56 permanent authorized positions to address workload management and provides \$8.7 million in funding for Technology Service Contracts.

**Workload Management – \$8.6 million, 56 positions**

Workload management includes \$8.6 million to establish 56 permanent authorized positions to CalSTRS’ workforce. The workload for these positions is primarily associated with *Enhanced Member Services, Compliance and Risk Management, Administrative and Operational Support, and Collaborative Model Investment Administrative Support* functions. The following chart displays the total authorized position request by function, 2022–25 Strategic Plan goal and enterprise-wide growth.



*Enhanced Member Services – \$3.3 million, 23 positions*

CalSTRS is committed to providing exceptional service to our members and their beneficiaries and is continuously improving our member service and support functions. In alignment with this objective and consistent with the second goal of the strategic plan—*leading innovation and managing change*— 21 positions will improve existing processes to enhance the reliability and accuracy of member account data and retirement benefit calculations through the Employer Reporting to Final Benefit project. Two additional positions will address increased workload associated with processing benefit payments for members who have concurrent membership with other retirement systems and benefits that exceed the Internal Revenue Code section 415 limits. These 23 positions will be dispersed across four business areas (*Benefits and Services–17, General Counsel–3, Financial Services–2, Audit Services–1*) and will be performing the following key tasks:

- Expand and formalize a pre-benefit member account review process to validate and analyze contribution data submitted by employers for reliability and accuracy prior to benefit inception.
- Expand and formalize quality management functions, which include developing new quality control procedures for employer reporting processes and sampling inquiries and interactions with employers to ensure adherence to defined standards.
- Work with employers to remediate reporting errors resulting from inaccurate member account data and inaccurate reporting of employer and employee contributions.
- Perform complex account analysis and support increased member communication.

*Compliance and Risk Management– \$2.5 million, 14 positions*

One of CalSTRS' objectives is to continue to secure and maintain the confidentiality and integrity of data and ensure adherence to compliance requirements. CalSTRS current compliance and risk functions embody various compliance and risk activities at the branch and unit levels. These activities include compliance with laws, policies, procedures and administrative directives for each area. In support of all three goals of the *2022–25 Strategic Plan*, and enterprisewide growth, these 14 positions will be dispersed across five business areas (*General Counsel–4, Procurement–4, Technology Services–3, Financial Services–2, Audit Services–1*) to address additional workload and enhance existing compliance and risk management processes by performing the following key tasks:

- Manage and oversee procurement compliance functions, including adherence to procurement laws, rules, regulations and policies.
- Perform various tax research and reporting, including processing of tax withholdings and 1099s and ensuring compliance with Internal Revenue Service tax laws and regulations.
- Assist with litigation caseload and processing of public records act requests.
- Support the governance, risk and compliance system, which facilitates the tracking and mitigation of governance, risk and compliance items.

*Administrative and Operational Support – \$2.0 million, 14 positions*

Enterprisewide administrative and operational support functions play an integral role in maintaining our core business functions as the organization grows. In support of all three goals of the *2022–25 Strategic Plan*, and enterprisewide growth, these 14 positions will be dispersed across six business areas (*Human Resources–4, Facilities–3, Technology Services–3, Public Affairs–2, Procurement–1, Financial Services–1*) to support increased workload demands across the organization by performing the following key tasks:

- Manage and oversee building operations and facility needs of CalSTRS Headquarters property, which includes the current building and the expansion facility, that is expected to be completed in early 2023.
- Oversee organizational change management initiatives through the execution of key priorities in *CalSTRS 2022–25 Strategic Plan*.
- Provide support for various production capabilities, including creation of digital and written content for CalSTRS' website, social media and other communications media.
- Provide maintenance and operations for the workplace management system to support a longer-term blended work environment.

*Collaborative Model Investment Administrative Support – \$800 thousand, 5 positions*

The CalSTRS Collaborative Model is an investment strategy to manage more assets internally to reduce costs and generate higher returns to support a strong investment portfolio. In alignment

with this longer-term initiative and consistent with the first goal of CalSTRS strategic plan—to *ensure a well-governed, financially sound trust fund*—these five investment administrative support positions<sup>6</sup> for two business areas (*Technology Services–4, Human Resources–1*) will assist the Investments Branch with the continued implementation of the Collaborative Model by performing the following key tasks:

- Provide human resources support functions associated with the overall growth in the Investments Branch.
- Coordinate, plan and manage implementation of investment technology infrastructure.
- Perform investment data analytics to ensure data integrity and proper organization, storage and cleansing of data.
- Support investment data architecture, ensuring safeguards are in place for data management and analysis.

#### Technology Service Contracts – \$8.7 million<sup>7</sup>

Technology Service Contracts includes \$8.7 million to support ongoing maintenance and operation costs for our cloud data center platform and member call center system, back-up power supply units for computing equipment, cybersecurity tools and infrastructure. This funding will also address increases in vendor support as well as implementation and enhancement of various technologies as part of the *2022–25 Strategic Plan*. Continuing to build and support a robust technology infrastructure platform is a critical component of delivering quality services to our members and their beneficiaries, employers and various stakeholder communities. Over the past few years, CalSTRS has experienced significant increases in technology requirements and costs. This is largely driven by the overall growth in the size and complexity of the organization, and efforts to improve efficiency and innovation throughout the organization.

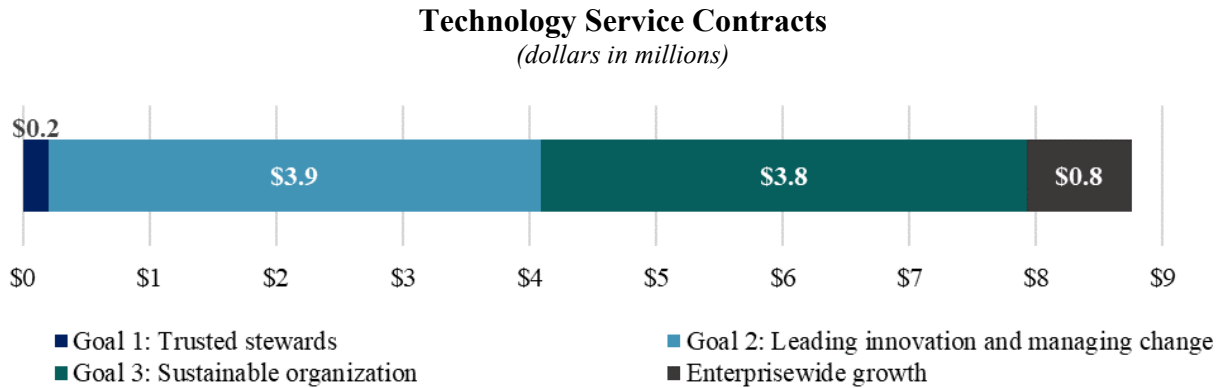
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<sup>6</sup> These resources were not requested as part of the [2021–22 Multi-Year Internal Investment Management Plan](#) Budget Change Proposal, as the organization planned to continue evaluating additional resource needs with the implementation of CalSTRS Collaborative Model.

<sup>7</sup> Funding for Technology Service Contracts is not associated with the implementation of the new pension administration system, through the Pension Solution Project. Additional information regarding the Pension Solution Project budget is provided in the *Additional Budgetary Considerations* section and *Appendix 5*.



The chart below illustrates the \$8.7 million Technology Service Contracts by strategic plan goal and enterprisewide growth.



**Other Budgetary Changes – (\$19.2) million**

Other Budgetary Changes represent the third year of implementation of the Investment Management Plan, changes for routine nondiscretionary expenditures that occur each year, and one-time budget adjustments. These changes reflect a net decrease of \$19.2 million. A summary of each adjustment is provided below.

Investment Management Plan – \$9.9 million, 21 positions

- The Investment Management Plan reflects an increase of \$9.9 million to establish 21 authorized positions for the third year of implementation of the Investment Management Plan, which was approved as part of the [2021–22 Operating Budget](#) in support of CalSTRS Collaborative Model. Additional details are provided in *Appendix 3*.

State Mandates – \$276 thousand

- *Pro Rata Assessment:* The annual assessment will decrease by approximately \$24.0 thousand, based on the final 2023–24 assessment provided by the DOF. CalSTRS is required by the DOF to contribute on a pro rata basis for the cost of central administrative services. The Pro Rata Assessment represents General Fund recoveries of shared statewide general administrative costs from departments that benefit from shared services.
- *Employee Compensation:* Employee compensation adjustments reflect a net increase of \$300 thousand. This includes an increase of \$4.3 million composed of a 2.5% general salary increase and 5% for merit salary adjustments for eligible employees. This is partially offset by a reduction of \$4.0 million for the \$260 monthly healthcare stipends provided to employees enrolled in a CalPERS health plan that will expire on June 30, 2023.

Property Management Services – (\$13.5) million

- There is a \$13.5 million reduction to our baseline Operating Budget for reversal of one-time contract costs associated with the JLL property management services contract. This represents one-time costs approved as part of the [2022–23 Operating Budget](#) for future third party tenant improvements for leased floors within the CalSTRS headquarters facility.

Pension Solution Project Budget Adjustment – (\$15.9) million

- There is a \$15.9 million reduction to the baseline Operating Budget for reversal of one-time contract costs for the Pension Solution Project. This budget adjustment was approved during the September 2022 board meeting as part of [Item 4 - Pension Solution Project Update and Budget Adjustment](#) to continue system integration activities in 2022–23. Additional details regarding this adjustment are provided in *Appendix 5*.

**Additional Budget Authority**

Additional budget authority for the proposed 2023–24 Operating Budget is requested as follows:

Teachers’ Retirement Fund Support Appropriation Savings

Pursuant to [Appendix III.1 of the Teachers’ Retirement Board Governance Manual](#), if CalSTRS ends the year with savings in the Teachers’ Retirement Fund (TRF) Support Appropriation, up to 3% of the operating budget can carry over into a future fiscal year. These savings are available for expenditure for two years after the initial year of appropriation, upon board approval. These savings can be used for unanticipated system costs and to promote better service to the system’s membership. Staff requests the board to authorize the availability of up to 3%, or \$10.1 million of the \$336.3 million 2023–24 TRF Support Appropriation. Note: This authority is requested as part of the Operating Budget each year. Additional details regarding the TRF are provided in *Appendices 1 and 4*.

Teachers’ Deferred Compensation Fund Budget Authority

The Teachers’ Deferred Compensation Fund (TDCF) is used to account for ancillary activities associated with deferred compensation plans and programs offered by CalSTRS to enhance the tax-deferred financial options for members and their beneficiaries. Staff monitors the cash revenues received by the fund to ensure it is sufficient to cover expenditures for the program. If sufficient cash revenue is generated to support expansion of the program, staff requests the board approve additional budget authority of up to 5%, or \$104.1 thousand over the proposed baseline TDCF budget of \$2.1 million. The additional authority would be used only as needed for unanticipated expenditures. Note: This authority is requested as part of the Operating Budget each year. Additional details regarding the TDCF are provided in *Appendices 1 and 4*.

### Proposed 2023–24 Operating Budget Revision Authority

If the 2023–24 Operating Budget requires revision for mandatory adjustments required by the Administration, staff is requesting authorization to revise the 2023–24 Operating Budget for such adjustments. Since these revisions would be mandated, staff is seeking the board’s authorization to adjust the Operating Budget without further board action. In the event the 2023–24 Operating Budget is revised, staff will inform the board as part of the quarterly budget performance updates, and in subsequent board agenda materials outlining the revisions. Note: This authority will be requested as part of the Operating Budget each year.

### **Additional Budgetary Considerations**

#### Pension Solution Project

As part of the Pension Solution Project update presented in September 2022, the board approved an increase of \$30 million to the project budget to continue essential activities in 2022–23 on an interim basis. The Pension Solution Project budget was \$304.8 million. This augmentation brought the interim project budget to \$334.8 million. Note: This is an interim project budget adjustment. CalSTRS is currently in the process of quantifying the impacts of a revised project plan on the total project budget. Staff will present an update on the revised project plan and a request for additional funding for the 2023–24 fiscal year to the board during the March 2023 meeting.

#### Assembly Bill 1667

Assembly Bill 1667 ([Chapter 754, Statutes of 2022](#)), was enacted on September 29, 2022. This legislation protects retirees by ensuring they are not held liable for prior benefit overpayments and is intended to reduce future employer reporting errors by requiring CalSTRS to provide timely, consistent and accurate compensation reporting guidance. In addition, AB 1667 will create a more transparent and accountable audit process that will work for all stakeholders.

Staff is in the process of quantifying the permanent workload impacts and associated resource requirements across the organization for the implementation of AB 1667. CalSTRS will be utilizing existing resources to assist with the initial implementation and will present a request for additional permanent resources, if needed, as part of the 2024–25 budget cycle.



## **Proposed 2023–24 Operating Budget Appendices**

**Appendices**

In addition to the analysis provided in the agenda, the following appendices are attached to provide supplemental information about CalSTRS’ prior year expenditures, revised 2022–23 Operating Budget, and the proposed 2023–24 Operating Budget.

**Appendix 1**

**Operating Budget by Fund**

CalSTRS administers a hybrid retirement system consisting of a defined benefit plan, cash balance and two defined contribution plans, a postemployment benefit plan and a fund used to account for ancillary activities associated with the deferred compensation plans and programs. The Teachers’ Retirement Law (Education Code section 22000 et seq.), as enacted and amended by the California Legislature and the Governor, established these plans and CalSTRS as the administrator. Accordingly, the proposed 2023–24 Operating Budget is administered through the TRF, TDCF and the Teachers’ Health Benefits Fund (THBF).

*Teachers’ Retirement Fund*

The TRF was established by California Education Code section 22400 and is the largest fund CalSTRS administers. It is a multiple-employer, cost-sharing defined benefit plan composed of the Defined Benefit, Defined Benefit Supplement, Cash Balance Benefit, and the Purchasing Power Protection program. The majority of CalSTRS’ operational expenses are sourced from the TRF, which includes 1,359 authorized positions.

**Teachers’ Retirement Fund<sup>8</sup>**  
*(dollars in thousands)*

Budget Category	Actual 2021–22	Revised 2022–23	Proposed 2023–24	\$ Change	% Change
Salaries	\$141,127	\$167,892	\$179,605	\$11,713	7%
Benefits	69,726	70,604	77,203	6,599	9%
Operating Expenses and Equipment	78,856	149,042	128,506	(20,536)	(14%)
<b>Total Budget</b>	<b>\$289,709</b>	<b>\$387,538</b>	<b>\$385,314</b>	<b>(\$2,224)</b>	<b>(1%)</b>

*Teachers’ Deferred Compensation Fund*

The TDCF was established pursuant to Education Code section 24976 and is used to account for ancillary activities associated with deferred compensation plans and programs offered by

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<sup>8</sup> The projected net decrease in Operating Expenses and Equipment is due to the reduction of one-time contract costs for JLL property management services and system integration activities for the Pension Solution Project. This is partially offset by funding requested for Technology Service Contracts.

CalSTRS to enhance the tax-deferred financial options for members and their beneficiaries. The TDCF includes eight authorized positions.

**Teachers’ Deferred Compensation Fund**  
*(dollars in thousands)*

Budget Category	Actual 2021–22	Revised 2022–23	Proposed 2023–24	\$ Change	% Change
Salaries	\$681	\$832	\$846	\$14	2%
Benefits	400	468	503	35	7%
Operating Expenses and Equipment	268	629	734	105	17%
<b>Total Budget</b>	<b>\$1,349</b>	<b>\$1,929</b>	<b>\$2,083</b>	<b>\$154</b>	<b>8%</b>

*Teachers’ Health Benefits Fund*

The THBF is used to administer a cost-sharing, multiple-employer other postemployment benefit plan known as the Medicare Premium Payment (MPP) Program. The program was established pursuant to Education Code section 25930. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium-free Medicare Part A. Members who enrolled in Medicare after July 1, 2012, are not eligible for CalSTRS’ payment of late enrollment surcharges. Also, members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program. The THBF includes three authorized positions.

**Teachers’ Health Benefits Fund**  
*(dollars in thousands)*

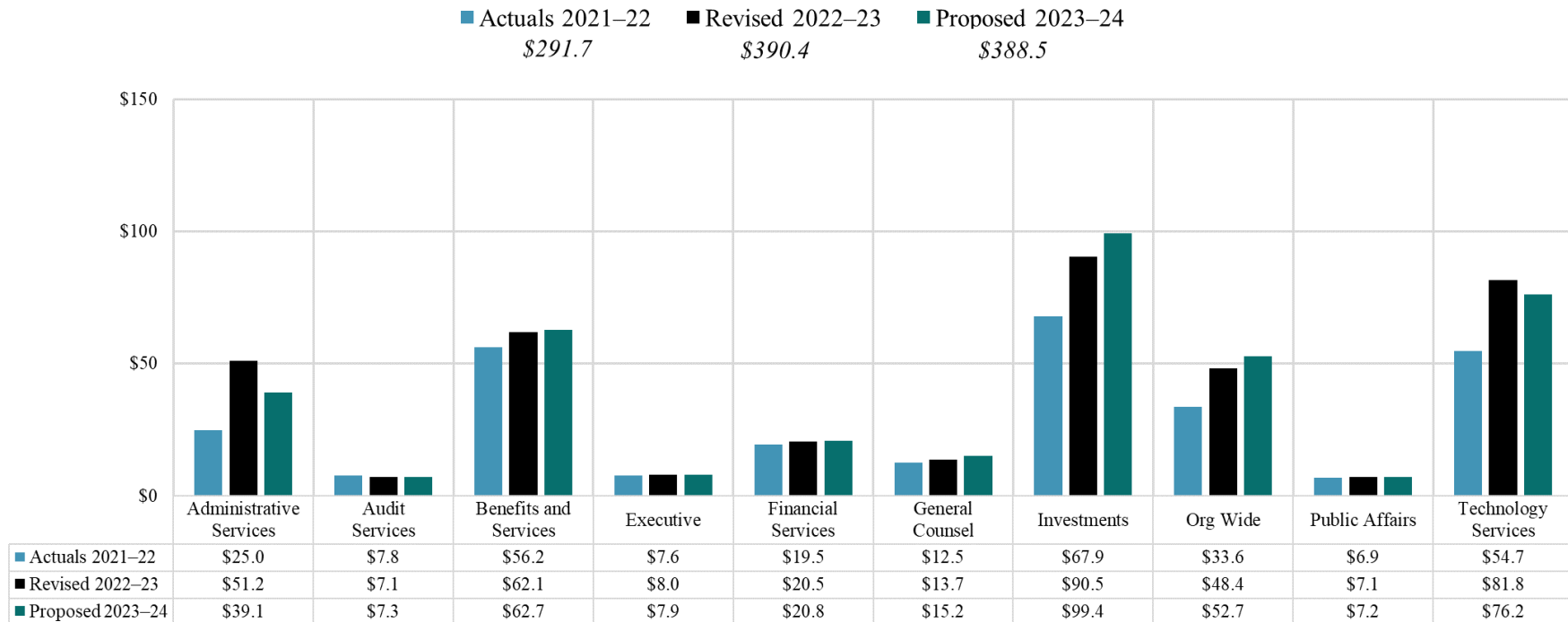
Budget Category	Actual 2021–22	Revised 2022–23	Proposed 2023–24	\$ Change	% Change
Salaries	\$288	\$373	\$417	\$44	12%
Benefits	181	242	270	28	12%
Operating Expenses and Equipment	156	278	445	167	60%
<b>Total Budget</b>	<b>\$625</b>	<b>\$893</b>	<b>\$1,132</b>	<b>\$239</b>	<b>27%</b>

## Appendix 2

### Operating Budget and Authorized Positions by Branch

CalSTRS is divided into functional areas, each referred to as a branch. Within each branch are business areas. Each branch has a corresponding functional budget. The following chart displays CalSTRS’ actuals for the 2021–22, the revised 2022–23, and the proposed 2023–24 Operating Budget. This includes salaries, benefits, and operating expenses and equipment.

**Operating Budget by Branch<sup>9</sup>**  
*(dollars in millions)*

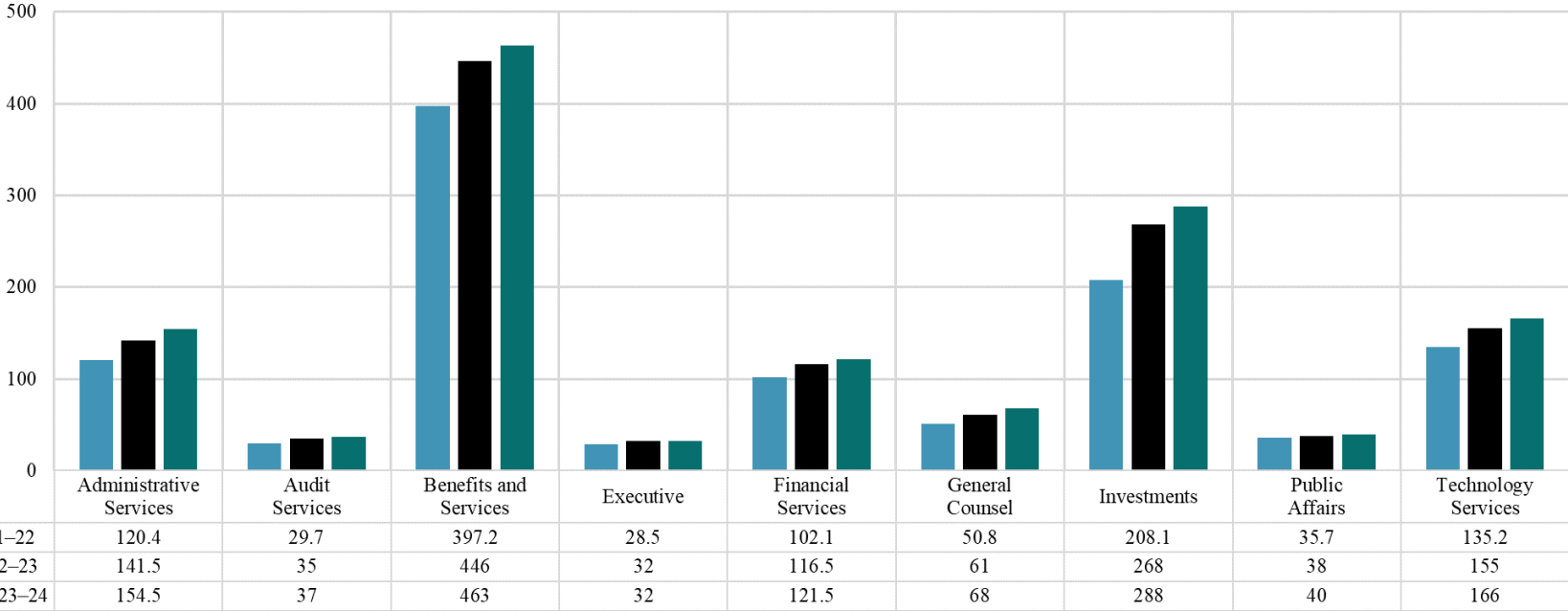


<sup>9</sup> The Org Wide budget is for enterprise-wide expenses including office supplies, certain contracts and internal reserves.

CalSTRS total workforce by branch is displayed in the following chart. The proposed 2023–24 Operating Budget has 1,370 authorized positions, reflecting an increase of 77 positions to CalSTRS’ workforce, or approximately 6%, relative to 2022–23. This includes a request for 56 new authorized positions and 21 positions approved as part of the Investment Management Plan.

**Authorized Positions by Branch**

■ Actuals 2021–22    ■ Revised 2022–23    ■ Proposed 2023–24  
*1,107.7*                      *1,293*                      *1,370*





**Appendix 3**

Multi-Year Internal Investment Management Plan

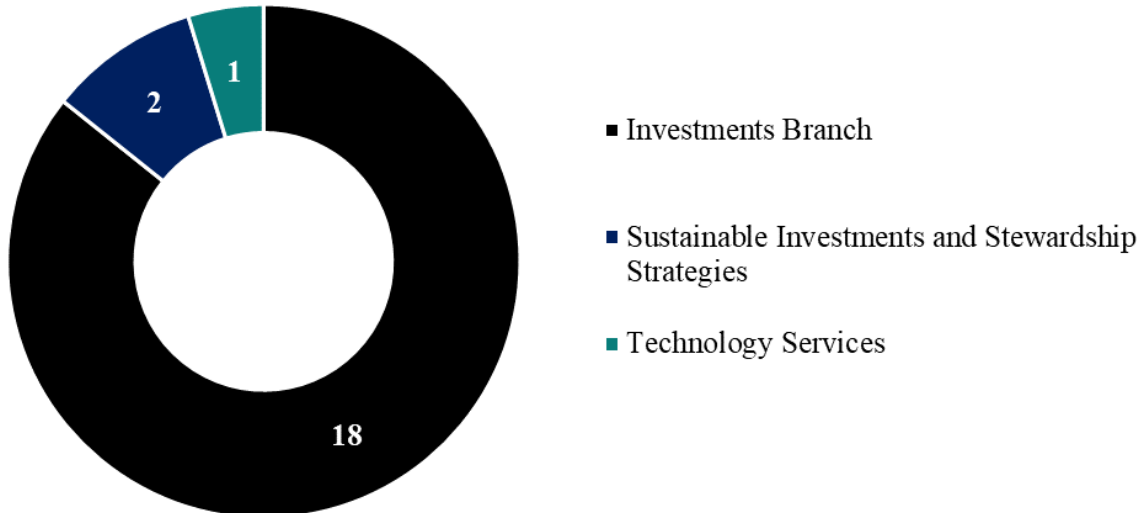
The following table provides the five-year funding and resource forecast approved by the board as part of the Investment Management Plan, that will be added to CalSTRS baseline Operating Budget each fiscal year.

**Five-Year Funding and Resource Forecast**  
*(dollars in millions)*

	2021–22	2022–23	2023–24	2024–25	2025–26	Total
Budget	\$12.3	\$7.8	\$9.9	\$6.5	\$4.4	\$40.9
Authorized Positions	30	24	21	19	15	109

The following chart displays the 21 authorized positions approved for fiscal year 2023–24 by business area.

**2023–24 Authorized Positions by Business Area**



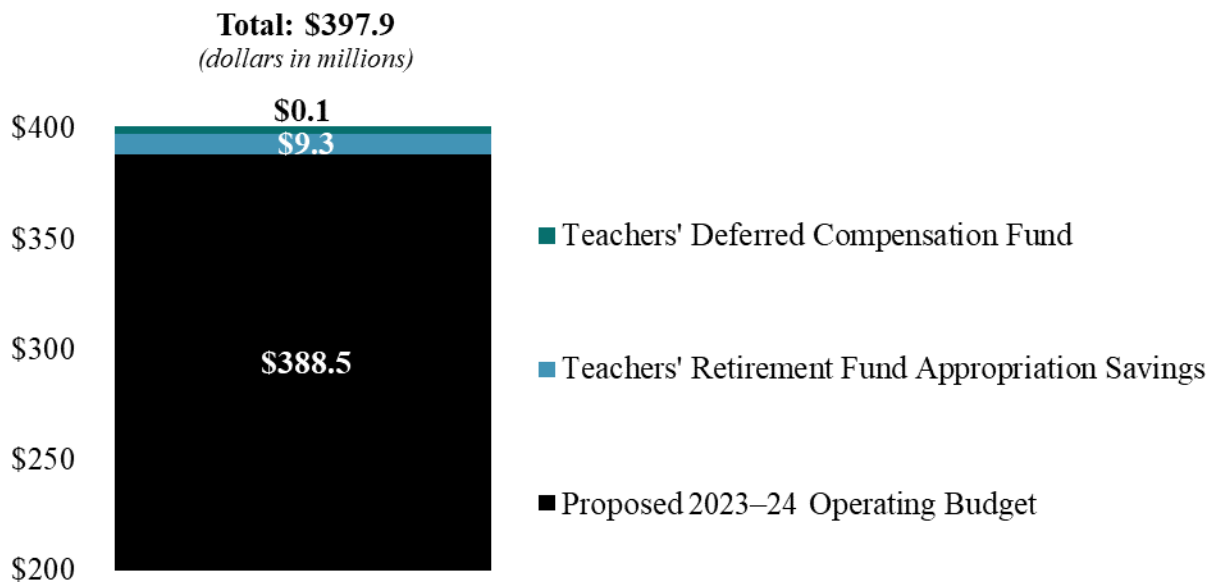
**Appendix 4**

Other Budget Detail

*Sources of Spending Authority above the 2023–24 Operating Budget*

Upon board approval, CalSTRS can expend up to \$388.5 million in fiscal year 2023–24. CalSTRS has additional spending authority resulting from prior board approvals, available for expenditure in fiscal year 2023–24. As a result, CalSTRS can end the year with total expenditures greater than the proposed 2023–24 Operating Budget. The primary sources of additional spending authority consist of additional budget authority for the TDCF, the TRF Support Appropriation savings, and Information Technology Project Funding (ITPF) appropriation carryovers.

As summarized in the following chart, total estimated spending authority above the 2023–24 Operating Budget is currently projected at \$9.4 million. Based on these estimates, CalSTRS can expend up to \$397.9 million in fiscal year 2023–24. Additional details are provided below.



Teachers’ Deferred Compensation Fund – \$104,100

As discussed in the *Additional Budget Authority* section, staff requested additional budget authority of up to 5%, currently estimated at \$104.1 thousand for the TDCF in 2023–24. The additional spending authority is only accessible if sufficient cash revenues are generated to support an expansion of the program, only as needed for unanticipated expenditures.

### Teachers' Retirement Fund Support Appropriation Savings – \$9.3 million

Pursuant to Appendix III.1 of the [\*Teachers' Retirement Board Governance Manual\*](#), if CalSTRS ends the year with savings in the TRF Support Appropriation, up to 3% of the Operating Budget can carry over into a future fiscal year. These savings are available for expenditure for two years after the initial year of appropriation, upon board approval. These savings would be used for unanticipated system costs and to promote better service to the system's membership. Upon board approval, the 2022–23 Budget Act provides that \$9.3 million is available to encumber by June 30, 2025, and through June 30, 2027, to liquidate.

### Information Technology Project Funding Appropriation

CalSTRS' baseline Operating Budget includes an annual ITPF appropriation of \$18.5 million for enterprisewide projects as authorized by Enterprise Program Investment Council (EPIC). Pursuant to the annual Budget Act, each year this amount is available to encumber for up to three years, and two additional years for liquidation. Funds not encumbered in the initial fiscal year are carried over for up to two fiscal years and can be designated to projects authorized by EPIC. Over the past years, CalSTRS has significantly increased efforts to improve enterprisewide IT platforms and has used nearly all of the annual \$18.5 million ITPF appropriation. Based on our current project plans and estimates, we project full utilization of the 2021–22 and 2022–23 ITPF appropriations at this time and do not anticipate carryover balances in 2023–24.

*Operating Budget by Appropriation*

The following table displays the proposed 2023–24 Operating Budget and key differences compared to what is anticipated for inclusion in the Budget Act of 2023.<sup>10</sup> The Budget Act is primarily composed of the annual TRF support and the ITPF appropriations. The Budget Act does not include direct transfers, other continuous appropriations, or the TDCF and the THBF budget. Direct transfers include the Pro Rata Assessment and Senate Bill 84 ([Chapter 50, Statutes of 2017](#))<sup>11</sup> loan repayment, which are assessed by the DOF for all state agencies. Other continuous appropriations are primarily composed of budget for fiduciary insurance, investment audits, capital improvements, and the Sustainable Investment and Stewardship Strategies division, within the Investments Branch.

**Proposed 2023-24 Operating Budget by Appropriation**  
*(dollars in thousands)*

Category	\$ Amount
<b>Budget Act</b>	
Teachers' Retirement Fund Support Appropriation	\$336,317
Information Technology Project Funding	18,500
<b>Total Budget Act</b>	<b>354,817</b>
Direct Transfers	17,374
Other Continuous Appropriations	13,123
<b>Total Teachers' Retirement Fund Balance</b>	<b>385,314</b>
Teachers' Deferred Compensation Fund	2,083
Teachers' Health Benefits Fund	1,132
<b>Total</b>	<b>\$388,529</b>

<sup>10</sup> Additional information regarding the [Budget Act](#) can be found on the DOF website.

<sup>11</sup> SB 84 authorized a \$6 billion supplemental payment from the state's Surplus Money Investment Fund to the California Public Employees' Retirement System to reduce long-term retirement contribution rates for all state agencies. Effective 2018–19, all state agencies are required to begin repayment of the loan.

**Appendix 5**

Revised 2022–23 Operating Budget<sup>12</sup>

The 2022–23 Operating Budget was revised from \$374.5 million to \$390.4 million. This reflects an increase of \$15.9 million, or 4%, relative to the original 2022–23 board approved Operating Budget. This budget adjustment represents supplemental funding for the Pension Solution Project to continue system integration activities through fiscal year 2022–23.

**CalSTRS Revised 2022–23 Operating Budget**  
*(dollars in millions)*

	<b>Approved 2022–23</b>	<b>Pension Solution Budget Adjustment</b>	<b>Revised 2022–23</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Total</b>	\$374.5	\$15.9	\$390.4	\$15.9	4%

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<sup>12</sup> Additional information is provided in the September 2022, Teachers’ Retirement Board [Item 4 - Pension Solution Project Update and Budget Adjustment](#).