

CALSTRS

HOW WILL YOU SPEND YOUR FUTURE?

California State Teachers' Retirement System

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For fiscal year ended June 30, 2003

A Component Unit of the State of California

Prepared by the staff of the
California State Teachers'
Retirement System
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Award GFOA Certificate

Certificate of Achievement for Excellence in Financial Reporting

Presented to
California State Teachers'
Retirement System,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



Public Pension Coordinating Council
Public Pension Standards
2003 Award

Presented to

California State Teachers' Retirement System

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

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MEMBERSHIP

15,900 PUBLIC SCHOOL TEACHERS

Membership was mandatory for all new teachers, but optional for those already teaching when the system was established.

CALSTRS

HOW WILL YOU SPEND YOUR FUTURE?

December 20, 2003

California State Teachers' Retirement System
Post Office Box 15275
Sacramento, CA 95851-0275

I am pleased to present the Comprehensive Annual Financial Report of the California State Teachers' Retirement System for the fiscal year ended June 30, 2003. This year we commemorate the 90th year since CalSTRS began serving those who serve California's children.

CalSTRS is one of the nation's oldest teacher pension systems, beginning in the earliest days of employers' concern for the welfare of the employees and their retirement. Over the years, great advances have been made in improved benefits and services to our members. You will find examples of those improvements in the pages in this, the **introductory section**. This section also includes this letter of transmittal, administrative organization details and a review of CalSTRS activities.

The 2003 CAFR also contains the following sections:

The **financial section** includes the report of the independent auditor, the Management's Discussion and Analysis, the system's financial statements and supplemental information for the State Teachers' Retirement Plan and CalSTRS Voluntary Investment Program.

The **investment section** contains a consultant's report summarizing investment activity, an explanation of investment policy, portfolio performance information and various investment schedules for the State Teachers' Retirement Plan. Investment of the Defined Benefit Supplement and Cash Balance Benefit programs contributions are also discussed. Investment information is not included for the CalSTRS Voluntary Investment Program since all investments are member-directed into mutual funds.

The **actuarial section** includes the actuary's certification letters and summaries for the CalSTRS Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs, in addition to the results of the latest actuarial valuations.

The **statistical section** includes information on the CalSTRS Defined Benefit Program, Cash Balance Benefit Program and CalSTRS Voluntary Investment Program.

Responsibility for both the accuracy and completeness of the financial data and the fairness of the presentation rests with me and the management of CalSTRS.



CalSTRS members, as of June 30, 2003, included employees of approximately 1,200 school districts, community college districts, county offices of education and regional occupational programs (listed starting on page 91).

FINANCIAL

The basic financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis as promulgated by the Governmental Accounting Standards Board and its predecessor, the National Council on Governmental Accounting. The Management's Discussion and Analysis provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

INVESTMENTS

Whether the stock market rebound of 2003 is the end of the storm or the eye of the storm, one thing is clear, the rebound helped the California State Teachers' Retirement System portfolio produce a positive return after two years of decline. The market value of the CalSTRS portfolio ended the fiscal year back above \$100 billion. Aggressive steps by the Teachers' Retirement Board and staff to rebalance the asset allocation near the lows of the U.S. equity market resulted in over one-half billion dollars of added return for the Teachers' Retirement Fund.

The fiscal year of 2002–2003 can be divided into three separate markets. For the first four months the markets continued the decline of the past two years. With the bear market growing long in the tooth, the next four months found the market building a bottom and a stop in the decline. For the final four months, the global equity markets staged a spectacular recovery gaining over 25 percent in short order.

MEMBERSHIP
448,478 PUBLIC SCHOOL EDUCATORS

2003



This pattern was exemplified by the Fund's assets that declined to a low of \$84 billion, only to rebound by nearly \$20 billion in April, May and June. The gain was largely driven by the U.S. and Non-U.S equity portfolios, which earned 19.0 percent and 15.9 percent respectively in the last quarter of the fiscal year. Over the entire year, the U.S. equity portfolio managed a gain of 1.0 percent while the Non-U.S. equity portfolio declined 5.1 percent.

The fixed income portfolio benefited from the decline of interest rates to 40-year lows. At the start of the fiscal year, the board approved a shift in the benchmark, which will reduce the risk to the portfolio if interest rates should rise. Overall, the fixed income portfolio generated a 13.2 percent return on the year.

FUNDING

The most recent actuarial valuation, as of June 30, 2001, shows that the Defined Benefit Program has a small unfunded actuarial obligation, having 98 percent of the funds needed to pay the cost of the benefit plan in effect on June 30, 2001. Under California state law, the Defined Benefit Program receives state General Fund contributions set at a percentage of the member payroll from the fiscal year ending in the prior calendar year (see page 25). The cost of administering the State Teachers' Retirement Plan is financed through the investment earnings of the plan.

INITIATIVES

To build on our long history of caring for our members, the Teachers' Retirement Board adopted a mission statement that has turned the System in a new direction. Our mission, "securing the financial future and sustaining the trust of California's educators," has challenged us to strive to attain the highest levels of customer service. We are building an organization that is wholly dedicated to our members and to helping them achieve the financial retirement security they desire when they end their careers.

Part of our efforts involve establishing a new information technology governance structure to ensure efficient use of resources and effective setting of priorities. We are reaching out to our members to learn more about their needs for information and services through the Voice of the Customer Program's surveys and focus groups. A strategic communication plan was developed to help build relationships with our members earlier in their career. We want them to understand the need to take action as soon as possible for their own financial future.

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CONTRIBUTIONS

Member — \$1.00 per school month,
averaging \$10 per year

Employer — no contributions

State — 5 percent of the inheritance tax
revenue for each fiscal year

While we can look back at our 90 years with pride, we are focusing on the future as we strive to be the trusted guide our members can count on.

AWARDS

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the California State Teachers' Retirement System for its comprehensive annual financial report for the year ended June 30, 2002. This was the eighth consecutive year that CalSTRS has achieved this prestigious award.

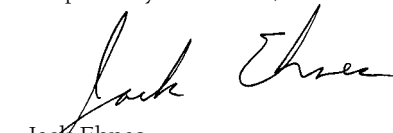
In order to be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

CalSTRS also was awarded the Public Pension Coordinating Council's Public Pension Principles Achievement Award in 2003. This two-year award is for achievement of high professional standards for public employee retirement systems. The award is based on compliance with principles that support retirement system achievements in the areas of benefits, actuarial valuations, financial reporting, investments and disclosures to members.

ACKNOWLEDGMENTS

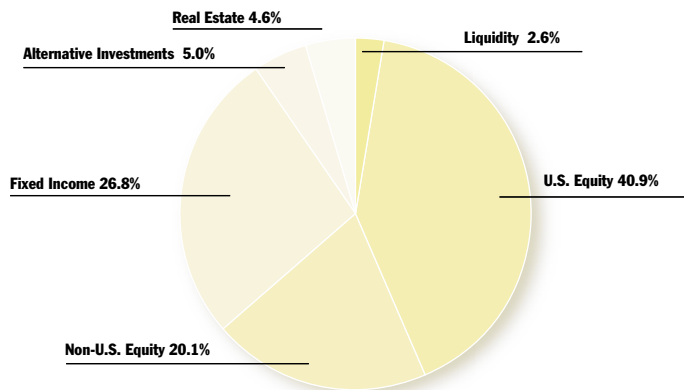
The compilation of this comprehensive annual financial report reflects the combined effort of CalSTRS staff under the leadership of the Teachers' Retirement Board. I commend their efforts on creating another outstanding report. In addition, I take this opportunity to express my gratitude to the staff, advisors and the many other people and organizations who have worked so diligently to assure the successful operation of the California State Teachers' Retirement System.

Respectfully submitted,



Jack Ehnes
Chief Executive Officer

Asset Allocation (6/30/03)
Total investment portfolio of \$100.5 billion



CONTRIBUTIONS

Member — 8% of CalSTRS-covered employment compensation

Employer — 8.25 percent of previous year's payroll

State — 1.975 percent of previous year's payroll and additional 2.5 percent to fund purchasing power protection

2003

Teachers' Retirement Board

as of June 30, 2003



PHIL ANGELIDES
State Treasurer
Ex-Officio Member

PAUL G. KRASNOW
Insurance Representative
Term: February 22, 2001 to
February 22, 2005

JACK O'CONNELL
Superintendent of
Public Instruction
Ex-Officio Member



GARY LYNES
Chairperson
K-12 Classroom Teacher
Hillsborough
Term: December 1994 to
December 30, 1998



STEVE PEACE
Director, Department
of Finance
Ex-Officio Member



KAREN A. RUSSELL
Vice Chairperson
K-12 Classroom teacher
Term: February 22, 2001 to February 22, 2005



JAY SCHENIRER
School Board Representative
Term: February 22, 2001 to
February 22, 2005

STEVE WESTLY
State Controller
Ex-Officio Member

CAROLYN A. WIDENER
Community College
Instructor
Term: February 22, 2001 to
February 22, 2005

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CALIFORNIA TEACHER
AVERAGE ANNUAL SALARY

\$1,350.00 — \$23,788 in today's dollars

Executive Staff as of June 30, 2003

Clockwise from lower left:

PEGGY PLETT
Deputy Chief Executive Officer
Benefits and Services

ED DERMAN
Deputy Chief Executive Officer
Plan Design and Communication

JACK EHNES
Chief Executive Officer

CHRISTOPHER J. AILMAN
Chief Investment Officer

BILL HOBBS
Deputy Chief Executive Officer
Enterprise Initiatives and Technology

CHRISTOPHER WADDELL
General Counsel



CALIFORNIA EDUCATOR
AVERAGE ANNUAL SALARY

\$53,200 — \$2,971 in 1913 dollars

2003



Professional Services

CalSTRS contracts for the services of various independent consultants essential to the effective and professional operation of the system. Milliman USA provides actuarial services and the independent auditor is PricewaterhouseCoopers LLP. Lists of investment professionals for investment services and other consultants are provided on Schedules IV and V in the financial section of the report. A partial list of independent consultants is shown.

- Carroll & Scully, Inc.
- Hogan and Hartson
- Liebman & Associates
- Milliman USA
- PricewaterhouseCoopers LLP

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8 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

BENEFITS

Retirement pension was \$500 per year, paid quarterly (*\$8,951 in today's dollars*)

Disability benefits were \$500 per year, paid quarterly (*required 15 years of service*)

No death benefits or survivor benefits

Year in Review

MEMBERSHIP

Membership in the CalSTRS Defined Benefit Program includes California public school employees, kindergarten through community college, who teach, are involved in the selection and preparation of instructional materials, or are supervising persons engaged in those activities.

Membership is in effect as long as the contributions remain on deposit with the program.

Members are employed in approximately 1,200 public school districts, community college districts, county offices of education and state reporting entities in California. The CalSTRS Defined Benefit Program includes service retirement, benefits for survivors and disability benefits.

A beneficiary of a retired member who has elected a joint and survivor option receives a continuing lifetime allowance upon the retired member's death.

As of June 30, 2003, there were a total of 553,095 active and inactive members and 181,868 retired members, disability and survivor benefit recipients. The combined total of members and benefit recipients equals 734,963, an increase of 19,527 more than the previous fiscal year.

(The financial statements, presented in the financial section, contains Defined Benefit Program membership data as of June 30, 2002, due to the timing of the independent auditor's report.)

BENEFITS TO MEMBERS AND BENEFIT RECIPIENTS

Service Retirement

CalSTRS is committed to providing a service retirement experience to its members that exemplifies exceptional customer service. Aligned with the System's values, the staff serves its members to provide timely and accurate processing and information about application and benefit payment processes.

In 2002–03 we saw a 12 percent increase in the number of applications submitted over the previous year. Of the 10,929 members who retired, 99 percent received their first month's payment within 30 days following the effective date of their retirement.

Survivor Benefits

CalSTRS received 5,921 survivor benefits applications. Of the applications received, 95 percent were processed within the 45-day legislative standard and 89 percent were processed within 30 days from the receipt of the last required documentation.

Disability

Disability Services received 788 disability applications during the 2002–03 fiscal year.



Active and Inactive Members



Benefit Recipients



Total Members and Benefit Recipients

BENEFITS

Retirement pension average of \$28,485 per year

Disability benefits average of \$15,254 per year

Survivor benefits average of \$15,724 per year

2003



With a strong commitment to member service, the Initial Review Team processed 99.7 percent of all applications within six months from the date of receipt.

The work of the Continuing Qualifications and Vocational Rehabilitation programs resulted in an annual savings of nearly \$2.1 million to CalSTRS.

SERVICES TO MEMBERS AND BENEFICIARIES

Customer Service

Call Center staff answered 253,045 calls and the CalSTRS automated attendant telephone system received 38,067 inquiries. The automated interactive telephone system, allowing members to hear account-specific information, received 66,833 calls. CalSTRS is proud of the fact that 97.99 percent of the incoming telephone calls were answered in the initial call, thus avoiding the need to call the member back. Eighty-four percent of all calls were answered within three minutes or less and 66 percent were answered within one minute or less.

The Correspondence Center received 1,609 pieces of correspondence and 9,019 e-mails from members and other interested parties. Average response rates were 78.08 percent of correspondence completed within ten business days and 71.92 percent of e-mails completed within three business days.

Member Communication

CalSTRS communicates with members and beneficiaries through the *Bulletin* and the *Retired Educator* newsletters. The *Bulletin* is mailed twice a year to active and inactive members. Each issue contains a message from CalSTRS' Chief Executive Officer and helpful retirement planning information. Also presented are legislative summaries and discussions concerning educator issues.

The *Retired Educator* is mailed twice a year to inform retired members and benefit recipients of matters of special interest to them.

A detailed program book and single-topic brochures are mailed upon request, given to members during personal interviews and made available to employers and employees by mail or telephone request. CalSTRS mails the *New Member Guide* to newly hired educators.

CalSTRS Web Site

The CalSTRS Web site provides information for members, employers and CalSTRS business partners. The CalSTRS Web site includes many useful features, such as online calculators, which allow members to estimate their retirement benefit and

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10 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Excerpt from the *Public School Teacher's Retirement Salary Fund Board Circular No. 1*

Sacramento, California, November 15, 1913 · Establishment of the Fund

"The State of California has seen fit to honor signally its public school teachers, and to recognize the value of their services in a way not accorded to any other profession or occupation."

calculate estimates to purchase service credit and to redeposit funds, an online feedback form and the Employer Page to provide county and school district personnel with pertinent information. A variety of other features, ranging from the monthly Teachers' Retirement Board agenda to various CalSTRS publications, are updated throughout the year.

Financial Education

Twenty Financial Education workshops were presented throughout the state. Information regarding CalSTRS benefits, financial planning, applicable Social Security provisions and managing one's finances were presented to 593 members and their guests.

Retirement Planning Workshops

Personal retirement benefit interviews were provided to 36,788 members. In addition, 656 workshops covering retirement, disability and survivor benefits were presented to 19,748 members. These interviews and workshops allow members a chance to have direct contact with staff who answer their questions.

Cash Balance Benefit Program

The Cash Balance Benefit Program is a defined benefit plan that is optional to school districts, community college districts and county offices of education. Employees are eligible to participate when their employer offers the Cash Balance Benefit Program if they are hired to perform creditable service for less than 50 percent of the full-time equivalent for the position unless the employee also performs creditable service full-time in another position.

Voluntary Investment Program

The VIP is CalSTRS' 403(b) program and is available to certificated or classified employees of any California school district, office of education or community college district. The VIP is a 403(b)(7) plan, which allows employees to invest in mutual funds as optional retirement savings.



MISSION STATEMENT

Securing the financial future and sustaining
the trust of California's educators.

2003



SERVICES TO EMPLOYERS, MEMBER AND CLIENT ORGANIZATIONS

The Employer Advisory Committee is composed of county and district employer representatives and CalSTRS staff. The Client Advisory Committee includes CalSTRS staff and members of various organizations representing CalSTRS members and benefit recipients.

These committees meet regularly to provide a forum for active participation in the formation of CalSTRS policies and procedures in areas of information dissemination, benefit plan administration and service to members and beneficiaries.

Reaching consensus with the two committees on legislative proposals, as well as policy issues, is important to the Teachers' Retirement Board. Therefore, CalSTRS employees have also scheduled special meetings and have worked closely with both committees on plan design and other crucial member and employer issues.

Annually, CalSTRS staff conduct an Employer Institute. CalSTRS processes, laws and policies are discussed with employer staff, giving an opportunity for CalSTRS and employers to exchange information.

CalSTRS staff also conduct field visits to individual counties and school districts. The purpose of the visit is to provide specific information to the employer regarding CalSTRS' data reporting process.

In addition to the reporting procedures, they discuss the use of the Remote Employer Access Program. This program allows the employer direct access to the CalSTRS database for verification and review of the member's service and contribution records, thereby improving the accuracy and timeliness of the reporting process.

California State Teachers' Retirement System

(A component unit of the State of California)

**Basic Financial Statements
and Supplemental Information
June 30, 2003**

Report of Independent Auditors

To the Teachers' Retirement Board
California State Teachers' Retirement System

In our opinion, based upon our audit and the report of other auditors, the accompanying basic financial statements present fairly, in all material respects, the combined fiduciary net assets of the California State Teachers' Retirement System (System), a component unit of the State of California, at June 30, 2003, and the changes in fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the System's management; our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the System's Voluntary Investment Program, which statements reflect total net assets and total additions to net assets of less than one percent of the related combined totals as of June 30, 2003, and for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Voluntary Investment Program, is based solely on the report of the other auditors. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion. We previously audited and reported on the financial statements of the System for the year ended June 30, 2002, the reporting entity totals of which are included for comparative purposes only.

As discussed in Note 1 to the basic financial statements, the System has an unfunded obligation as determined by an estimate of the pension benefit obligation provided by the System's actuary as of June 30, 2001. Based upon the 2001 actuarial valuation, the future annual contributions required under the California State Education Code appear to be sufficient to fund the System's unfunded obligation by 2030.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included in Schedules I and II is required under GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The supplemental information included in Schedules III through VII is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion and based on the report of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole from which it has been derived.

PricewaterhouseCoopers LLP

December 9, 2003

California State Teachers' Retirement System

Management's Discussion and Analysis

As of and for the Year Ended June 30, 2003

This Management's Discussion and Analysis (MD&A) of the California State Teachers' Retirement System's (System) financial performance provides an overview of the System's financial activities for the fiscal year ended June 30, 2003. The MD&A is designed to focus on the current year's activities, resulting changes and currently known facts. We encourage you to read it in conjunction with the System's basic financial statements, notes to the basic financial statements and the Chief Executive Officer's Letter of Transmittal included in the Introduction section of the System's 2003 Comprehensive Annual Financial Report.

The System is primarily responsible for administering retirement, disability, survivor and health benefits, as well as administering a supplemental retirement savings plan for the State of California (State) public school teachers and certain other employees of the State's public school system. The System is comprised of a total of four fiduciary funds:

1. State Teachers' Retirement Plan (STRP)
2. Voluntary Investment Program (VIP)
3. Teachers' Health Benefits Fund (THBF)
4. Teachers' Replacement Benefits Program Fund (TRBPF)

FINANCIAL HIGHLIGHTS

- Net assets increased by \$3.7 billion or 4% to \$100.4 billion.
- Net investment income totaled \$3.7 billion for 2003, an increase of \$10.0 billion compared to a loss of \$6.3 billion in fiscal 2002.
- As of June 30, 2001, the most recent actuarial valuation, the System's Defined Benefit Program was funded at 98%, compared to a funding level of 110% as of June 30, 2000. The System's June 30, 2003 actuarial valuation is expected to be completed by Summer 2004.
- Total contributions increased by \$435.0 million or 9% to \$5.1 billion.
- Benefit payments increased by \$451.0 million or 10% to \$5.0 billion.
- Refund of contributions increased by \$6.4 million or 8% to \$83.0 million.
- The Medicare Premium Payment Program premiums paid for members were \$22.0 million.

OVERVIEW OF FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the System's basic financial statements. The System's basic financial statements are comprised of the following components: (1) fund financial statements, (2) notes to the financial statements, (3) required supplemental information, and (4) other supplemental information.

Fund financial statements. The combined statements of fiduciary net assets present information on all of the System's assets and liabilities, with the difference between the two reported as net assets. Over time, the increase or decrease in net assets serves as a useful indicator of the health of the System's financial position. The combined statements of changes in fiduciary net assets show how the System's net assets changed during the fiscal year.

California State Teachers' Retirement System Management's Discussion and Analysis As of and for the Year Ended June 30, 2003

Notes to the financial statements. The financial statement notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. Information available in the notes to the financial statements is described below.

- Note 1 provides a general description of the System, as well as a concise description of each of the funds administered by the System.
- Note 2 provides a summary of significant accounting policies, including the basis of accounting for the System, management's use of estimates, investment accounting policies, and other significant accounting policies.
- Note 3 describes investments, including investment risk categorizations, investing authority, and other significant investment information.
- Note 4 generally describes potential contingencies of the System.
- Note 5 provides a summary of significant commitments incurred by the System.
- Note 6 generally provides a summary of subsequent events related to the State's budget crisis and its effect on the System.

Required supplemental information. The required supplemental information consists of two schedules and related notes on the defined benefit pension plans' funding progress and history of contributions from employers and other contributing entities. These schedules provide historical information that assists in understanding the funded status of the System over time.

Other supplemental information. Included in the other supplemental information is detailed information on administrative expenses, investment expenses and consultant and professional services expenses.

FINANCIAL ANALYSIS

State Teachers' Retirement Plan (STRP). The State Teachers' Retirement Plan is a defined benefit pension plan, which provides for retirement, disability and survivor benefits. The STRP is comprised of three programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, and the Cash Balance (CB) Benefit Program. These three programs are accounted for in a single fund, the Teachers' Retirement Fund (TRF). The STRP net assets increased 3.7% during the fiscal year, from \$96.7 billion in 2002 to \$100.4 billion as of June 30, 2003.

STRP benefits are funded by employer, member, and state contributions, and by investment earnings. Total additions increased for the fiscal year ending June 30, 2003. Member contributions increased by \$217.0 million or 12% and employer contributions increased by \$112.5 million or 6%. Member contributions increased by a greater percentage because of the recognition of revenue from member accounts receivable for service credit purchases and redeposit of contributions previously refunded. The employer contributions are reduced by \$22 million that were deposited into the Teachers' Health Benefits Fund. State contributions increased by \$99.2 million or 11% to \$1.0 billion. The STRP experienced a net investment gain of \$3.7 billion in fiscal 2003 compared with a \$6.3 billion loss in fiscal 2002 as the global financial markets rebounded.

California State Teachers' Retirement System Management's Discussion and Analysis As of and for the Year Ended June 30, 2003

Deductions for the year totaled \$5.1 billion. Enhanced retirement benefits along with growth in the number of new retirees increased benefit payments to \$5.0 billion, an increase of \$448.9 million or 10% over the prior year. Refund of contributions in fiscal 2003 increased \$5.5 million or 7% to \$79.5 million. Administrative expenses in fiscal 2003 increased \$8.9 million or 14% to \$72.7 million.

STRP investments, excluding securities lending collateral, increased by \$4.7 billion or 5% to \$101.2 billion at June 30, 2003. At June 30, 2003, STRP held \$59.8 billion in U.S. and international equity securities, an increase of \$2.7 billion or 5% from fiscal 2002. At June 30, 2003, STRP also held \$28.1 billion in U.S. and international debt securities, an increase of \$0.7 billion or 3% from fiscal 2002. Remaining holdings in alternative investments, real estate, and short-term investments were \$13.3 billion at June 30, 2003, an increase of \$1.5 billion or 12% from fiscal 2002. Net appreciation on investments totaled \$0.7 billion compared to depreciation of \$9.4 billion in fiscal 2002.

The most recent actuarial valuation for the fiscal year ended June 30, 2001, indicates that the DB Program is underfunded, with 98% of the funds needed to pay the actuarial cost of the benefits accrued as of June 30, 2001. This is a decrease of 12% from the 110% funded status determined in the June 30, 2000 actuarial valuation. The amount by which the STRP actuarial benefit liabilities exceeded actuarial assets was \$2.2 billion at June 30, 2001. The decrease in funding status in fiscal 2001 is mainly attributable to new benefits enacted, the investment return being less than the assumed return of 8.0%, and total teacher payroll increases that were in excess of the assumed rate of 4.25%. The findings of the most recent actuarial valuation indicate that expected future revenue for the DB Program is expected to be sufficient to finance its obligations including amortization of the unfunded status by 2030. The System expects to complete the June 30, 2003, actuarial valuation by the Summer of 2004.

Voluntary Investment Program (VIP). The VIP is a tax-deferred defined contribution plan and meets the requirements of the Internal Revenue Code, Section 403(b). CitiStreet, L.L.C, provides administrative services. The VIP benefits are the sum of the contributions and investment earnings credited to the member's account at the time of retirement, disability, or termination of employment. The VIP is designed to offer members an opportunity to supplement their pension benefits. The VIP's June 30, 2003 investments and net assets each increased by \$12.6 million or 21% and 20%, respectively. Contributions by members in fiscal 2003 increased by \$3.0 million or 21% while investment gains in fiscal 2003 totaled \$1.1 million compared to a loss of \$6.2 million in 2002. Deductions from the VIP increased by \$2.6 million or 76% to \$5.9 million primarily due to higher member withdrawals.

Teachers' Health Benefits Fund (THBF). The THBF is an employee benefit trust fund created to administer health benefit programs for members of the System. The Medicare Premium Payment Program is the only program within this fund. This program is designed to pay Medicare Part A premiums and surcharges and Part B surcharges for members meeting certain eligibility criteria. This program is funded on an as needed basis from current employer contributions, which increased by \$3.2 million or 17% to \$22.2 million during fiscal 2003. Benefits paid increased by \$0.5 million or 2% from \$21.5 million to \$22.0 million for fiscal 2003. The assets of the THBF are invested in the State of California's Surplus Money Investment Fund and earned \$53 thousand in interest income during fiscal 2003.

Teachers' Replacement Benefit Program Fund (TRBPF). The TRBPF is a replacement pension benefit plan established to pay the portion of annual benefits that exceed the annual limitations under Section 415 of the Internal Revenue Code of 1986 (26 U.S.C. Section 415). This benefit program is funded from current employer contributions on an as needed basis. Contributions of approximately \$68 thousand and \$13 thousand were received and paid as benefits during fiscal 2003 and 2002, respectively.

California State Teachers' Retirement System
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2003

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM PLAN FINANCIAL INFORMATION

Net Assets

(Dollars in Thousands)

	2003	2002	PERCENTAGE CHANGE
ASSETS			
Invested assets ¹	\$101,263,590	\$96,512,286	5%
Cash and cash equivalents	160,685	69,061	133%
Receivables	2,290,885	2,036,305	13%
Other assets	1,357	873	55%
TOTAL ASSETS	\$103,716,517	\$98,618,525	5%
LIABILITIES			
Benefits in process of payment	\$ 464,970	\$425,339	9%
Investment settlement	1,308,387	969,034	35%
Leverage program obligation	1,018,953	-	100%
Other liabilities ¹	475,663	450,956	5%
TOTAL LIABILITIES	3,267,973	1,845,329	77%
TOTAL NET ASSETS	\$100,448,544	\$96,773,196	4%

¹ Excludes offsetting entries from securities lending collateral.

California State Teachers' Retirement System
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2003

Change in Net Assets
(Dollars in Thousands)

	2003	2002	PERCENTAGE CHANGE
ADDITIONS			
Member/participant contributions	\$2,111,576	\$1,891,493 ²	12%
Employer contributions	1,990,263	1,874,548 ³	6%
State contributions	1,014,992	915,825	11%
Investment income (loss) and other expense	3,689,290	(6,308,713)	158%
TOTAL ADDITIONS	\$8,806,121	\$(1,626,847)	641%
DEDUCTIONS			
Benefit payments	\$4,974,174	\$ 4,523,167	10%
Refund of contributions	82,991	76,579	8%
Administrative expenses	73,608	64,534	14%
TOTAL DEDUCTIONS	\$5,130,773	\$ 4,664,280	10%
INCREASE (DECREASE) IN NET ASSETS	\$3,675,348	\$(6,291,127)	158%

² Approximately \$4.4 million of 2001 member contributions have been included in 2002 member contributions for this analysis to account for timing differences.

³ Approximately \$130.4 million of 2001 employer contributions have been included in 2002 employer contributions for this analysis to account for timing differences.

REQUESTS FOR INFORMATION

This Financial Report is designed to provide a general overview of the System's finances. For questions concerning any information in this report or for additional information contact the California State Teachers' Retirement System, P.O. Box 15275, Sacramento, CA 95851-0275.

California State Teachers' Retirement System
Combined Statements of Fiduciary Net Assets
As of June 30, 2003
With Reporting Entity Totals as of June 30, 2003 and 2002
(Dollars in Thousands)

	State	Voluntary	Teachers'	Teachers'	Reporting Entity Totals	
	Teachers' Retirement Plan	Investment Program	Health Benefits Fund	Replacement Benefits Program Fund	2003	2002
Assets						
Investments, at fair value:						
Short-term	\$ 2,473,879	\$ 26,632	\$ 996	\$ -	\$ 2,501,507	\$ 2,414,366
Debt securities:						
Domestic	28,117,247	4,512	-	-	28,121,759	27,419,706
International	4,267	165	-	-	4,432	10
Equities:						
Domestic	40,110,794	39,930	-	-	40,150,724	36,925,148
International	19,640,460	2,994	-	-	19,643,454	20,296,030
Alternative	5,062,283	-	-	-	5,062,283	4,253,767
Real estate	5,779,431	-	-	-	5,779,431	5,203,259
Securities lending collateral	14,366,853	-	-	-	14,366,853	13,325,351
Total investments	<u>115,555,214</u>	<u>74,233</u>	<u>996</u>	<u>-</u>	<u>115,630,443</u>	<u>109,837,637</u>
Cash and cash equivalents	<u>160,677</u>	<u>-</u>	<u>1</u>	<u>7</u>	<u>160,685</u>	<u>69,061</u>
Receivables:						
Investments sold	942,089	-	-	-	942,089	447,476
Foreign currency exchange contracts	380,596	-	-	-	380,596	612,459
Interest and dividends	375,726	25	-	-	375,751	447,680
Member/employer and other	591,312	455	682	-	592,449	528,690
Total receivables	<u>2,289,723</u>	<u>480</u>	<u>682</u>	<u>-</u>	<u>2,290,885</u>	<u>2,036,305</u>
Other assets	<u>1,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,357</u>	<u>873</u>
Total assets	<u>\$ 118,006,971</u>	<u>\$ 74,713</u>	<u>\$ 1,679</u>	<u>\$ 7</u>	<u>\$ 118,083,370</u>	<u>\$ 111,943,876</u>
Liabilities						
Payable for investments purchased	\$ 931,081	\$ -	\$ -	\$ -	\$ 931,081	\$ 313,305
Payable for foreign currency exchange contracts	377,306	-	-	-	377,306	655,729
Benefits in process of payment	464,868	-	95	7	464,970	425,339
Leverage program obligation	1,018,953	-	-	-	1,018,953	-
Other liabilities	475,582	59	22	-	475,663	450,956
Securities lending collateral	14,366,853	-	-	-	14,366,853	13,325,351
Total liabilities	<u>17,634,643</u>	<u>59</u>	<u>117</u>	<u>7</u>	<u>17,634,826</u>	<u>15,170,680</u>
Net assets held in trust for pension benefits (a schedule of funding progress is presented in Schedule I)	<u>\$ 100,372,328</u>	<u>\$ 74,654</u>	<u>\$ 1,562</u>	<u>\$ -</u>	<u>\$ 100,448,544</u>	<u>\$ 96,773,196</u>

The accompanying notes are an integral part of these financial statements.

California State Teachers' Retirement System
Combined Statements of Changes in Fiduciary Net Assets
For the year ended June 30, 2003
With Reporting Entity Totals for the Years Ended June 30, 2003 and 2002
(Dollars in Thousands)

	State Teachers' Retirement Plan	Voluntary Investment Program	Teachers' Health Benefits Fund	Teachers' Replacement Benefits Program Fund	Reporting Entity Totals	
					2003	2002
Additions						
Contributions:						
Members	\$ 2,094,096	\$ 17,480	\$ -	\$ -	\$ 2,111,576	\$ 1,887,119
Employers	1,967,974	-	22,221	68	1,990,263	1,744,108
State of California	1,014,992	-	-	-	1,014,992	915,825
Total contributions	<u>5,077,062</u>	<u>17,480</u>	<u>22,221</u>	<u>68</u>	<u>5,116,831</u>	<u>4,547,052</u>
Investment income (loss):						
Net appreciation (depreciation) in fair value of investments	655,886	101	-	-	655,987	(9,378,888)
Interest, dividends and other investment income	3,048,438	953	53	-	3,049,444	3,065,966
Securities lending income	260,814	-	-	-	260,814	463,821
Less investment expenses:						
Cost of lending securities	(196,188)	-	-	-	(196,188)	(374,092)
Other	(80,696)	-	-	-	(80,696)	(80,058)
Net investment income (loss)	<u>3,688,254</u>	<u>1,054</u>	<u>53</u>	<u>-</u>	<u>3,689,361</u>	<u>(6,303,251)</u>
Other expense	(71)	-	-	-	(71)	(5,462)
Total additions	<u>8,765,245</u>	<u>18,534</u>	<u>22,274</u>	<u>68</u>	<u>8,806,121</u>	<u>(1,761,661)</u>
Deductions						
Retirement, death and survivor benefits	4,716,300	1,965	22,026	68	4,740,359	4,266,191
Refunds of member contributions	79,513	3,478	-	-	82,991	76,579
Purchasing power benefits	233,815	-	-	-	233,815	256,976
Administrative expenses	72,749	504	355	-	73,608	64,534
Total deductions	<u>5,102,377</u>	<u>5,947</u>	<u>22,381</u>	<u>68</u>	<u>5,130,773</u>	<u>4,664,280</u>
Net increase (decrease)	3,662,868	12,587	(107)	-	3,675,348	(6,425,941)
Net assets held in trust for pension benefits:						
Beginning of year	96,709,460	62,067	1,669	-	96,773,196	103,199,137
End of year	<u>\$ 100,372,328</u>	<u>\$ 74,654</u>	<u>\$ 1,562</u>	<u>\$ -</u>	<u>\$ 100,448,544</u>	<u>96,773,196</u>

The accompanying notes are an integral part of these financial statements.

California State Teachers' Retirement System

Notes to the Basic Financial Statements

1. Description of the System and Contribution Information

The California State Teachers' Retirement System (System) is the administrator of cost-sharing multiple-employer pension plans, a tax-deferred defined contribution plan, the Medicare Premium Payment Program, and the Replacement Benefits Program as described below. These plans and programs were established and administered by those sections of the State Education Code known as the Teachers' Retirement Law (Section 22000 et. seq.), as amended and enacted by the State of California (State) Legislature. The System is a component unit of the State. These basic financial statements include only the accounts of the System. The System's basic financial statements are included as a fiduciary fund in the financial statements of the State. The System provides pension benefits to California full-time and part-time public school teachers from preschool through grade fourteen and certain other employees of the public school system.

State Teachers' Retirement Plan (STRP)

The State Teachers' Retirement Plan (STRP) is comprised of three programs: the Defined Benefit Program (DB Program), the Defined Benefit Supplement Program (DBS Program), and the Cash Balance Benefit Program (CB Benefit Program). The assets of the STRP are held for the exclusive purpose of providing benefits to members and beneficiaries of the DB Program, the DBS Program and the CB Benefit Program and defraying reasonable expenses of administering the STRP and the System.

STRP Defined Benefit Program (DB Program)

The DB Program is a defined benefit pension plan, which operates under the Internal Revenue Code (IRC). At June 30, 2003, there were approximately 1200 contributing employers (school districts, community college districts, county offices of education and regional occupational programs). The State is a non-employer contributor to the STRP. Membership is mandatory for all employees meeting certain statutory requirements, and optional for all other employees performing creditable service. At June 30, 2002, membership consisted of:

Active members:	
Vested	255,722
Nonvested	186,486
Inactive members	96,159
Retirees and benefit recipients	177,069
Total members, retirees and beneficiaries	<u>715,436</u>

Information as of June 30, 2003, will not be available prior to December 2003.

California State Teachers' Retirement System

Notes to the Basic Financial Statements

The DB Program provides defined retirement benefits based on members' final compensation, age, and years of credited service, as reported by the contributing employer. In addition, the retirement program provides benefits to members upon disability, and to survivors upon the death of eligible members. Benefit provisions include:

- After five years of credited service, members become 100% vested in retirement benefits earned to date. Members are eligible for normal retirement at age 60. The normal retirement benefit is equal to 2% of final compensation for each year of credited service. Early retirement options are available at age 55 or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4% at age 63 or older. Members who have 30 years or more of credited service shall receive an additional 0.2% of final compensation. In no event shall the total benefit factor exceed 2.4%.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retire on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elects to pay the additional benefit cost. One-year final compensation means a member's highest average annual compensation earnable calculated by taking the creditable compensation that a member could earn in a school year while employed, if he or she were employed on a full-time basis, and if that person worked full time in that position during any period of 12 consecutive months. For all other members, final compensation is defined as the highest average annual compensation earned during any three consecutive years of credited service.

Members who retire on or after January 1, 2001, and accumulate at least 30 years of credited service by January 1, 2011, will receive a longevity bonus.

- After five years of credited service, a member (prior to age 60 if under Coverage A, no age limit if under Coverage B, as defined in Education Code Sections 24001 and 24101, respectively) is eligible for disability benefits of up to 50% of final compensation plus 10% of final compensation for each eligible child, up to a maximum addition of 40%. The member must have a disability that will exceed a period of twelve or more months to qualify for a benefit.
- A family benefit is available if an active member died and had at least one year of credited service.
- Members' accumulated contributions are refundable with interest upon separation from the System. For the year ended June 30, 2003, the rate of interest credited to members' accounts is 3.75%.

Purchasing power protection is provided to those benefit recipients whose purchasing power has been reduced below certain levels. The purchasing power protection is funded by a combination of School Lands Revenue and State General Fund (General Fund) contributions to the Supplemental Benefit Maintenance Account (SBMA). School Lands Revenue is appropriated pursuant to Public Resources Code Section 6217.5 from the use of school lands. The SBMA provides annual distributions (in quarterly payments) to retired and disabled members and beneficiaries in order to restore purchasing power to a minimum of 80% of the initial monthly allowance.

California State Teachers' Retirement System

Notes to the Basic Financial Statements

Required Contributions

The Teachers' Retirement Law sets required member and employer contribution rates. Required contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. The System also uses the level percentage of payroll method to calculate the amortization of any unfunded liability.

A summary of statutory contribution rates and other sources of contributions to the DB Program are as follows:

- Members - 6% of applicable member earnings through December 31, 2010, increasing to 8% thereafter for service less than or equal to one year of creditable service per fiscal year.
- Employers - 8.25% of applicable member earnings for service less than or equal to one year of creditable service per fiscal year. For service in excess of one year within one fiscal year, the employer contribution rate is 0.25%.
- State of California - Beginning July 1, 1999, under Education Code Section 22955, the General Fund transferred annually to the DB Program an amount equal to 3.102% of total creditable earnings of the immediately preceding calendar year to fund certain benefit enhancements which became effective January 1, 1999. The enactment of Chapter 1021, Statutes of 2000 (AB 2700) provided for a reduction in such funding from the General Fund to a factor of 2.5385% beginning July 1, 2000. The funding was further reduced to 1.9750% beginning July 1, 2001, and effective through June 30, 2003. Beginning July 1, 2003, the rate increases to 2.017% of the member's creditable earnings from the fiscal year ending in the prior calendar year.

Beginning October 1, 1998, a statutory contribution rate of 0.524%, adjustable annually in 0.25% increments up to a maximum of 1.505%, of the creditable earnings of the immediately preceding calendar year was established under Education Code Section 22955. This contribution is reduced to zero if there is no unfunded obligation and no normal cost deficit for benefit plans in place as of July 1, 1990. Although there was an unfunded obligation of \$2.2 billion as of the June 30, 2001 actuarial valuation, there was no normal cost deficit and there was no unfunded obligation for benefits in place as of July 1, 1990.

In their most recent actuarial valuation as of June 30, 2001, the System's independent actuaries determined that, at June 30, 2001, the actuarial value of the DB Program's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$2.2 billion. Based on this valuation, the current statutory contributions are equivalent to 17.117% of covered payroll and are sufficient to fund normal cost (16.497% of covered payroll) and amortize the actuarial unfunded obligation of \$2.2 billion at June 30, 2001 by 2030. While certain risks related to the global financial markets may affect the fair value of the System's investment portfolio, the System's management is continually evaluating the impact of market fluctuations on the assets of the DB Program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions, and other membership related factors.

California State Teachers' Retirement System

Notes to the Basic Financial Statements

STRP Defined Benefit Supplement Program (DBS Program)

The DBS Program, established pursuant to Chapter 74, Statutes of 2000 (AB 1509), is a defined benefit pension plan that operates within the STRP. All persons who were active members of the DB Program on or after January 1, 2001, are also members of the DBS Program.

Beginning January 1, 2001 and continuing through December 31, 2010, 2% of applicable member earnings for service less than or equal to one year of creditable service per fiscal year are credited to the members' nominal DBS Program accounts. For service in excess of one year within one fiscal year, the member contributions of 8% and employer contributions of 8% are credited to the members' nominal DBS Program accounts. Interest is credited to the nominal DBS Program accounts at the minimum guaranteed annual rate established by the Teacher's Retirement Board (Board) prior to each plan year, which was 5.5% for the year ended June 30, 2003. The Board may credit additional earnings to members' nominal accounts if actual investment earnings exceed the expected rate of return.

In addition, member and employer contributions are credited to the member's DBS account on compensation earned from service in one school year that exceeds the full-time equivalent (FTE) for the position, resulting in more than one year of credit service. Also, contributions for the compensation as a result of retirement incentives or limited term enhancements are credited to the members account. This provision will not cease at the end of 2010.

In the most recent actuarial valuation as of June 30, 2002, the System's independent actuaries determined that the actuarial value of liabilities of the DBS Program exceeded the actuarial value of assets by \$51.3 million. While certain risks related to the global financial markets may affect the fair value of the System's investment portfolio, the System's management is continually evaluating the impact of market fluctuations on the assets of the DBS Program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions, and other membership related factors.

STRP Cash Balance Benefit Program (CB Benefit Program)

The CB Benefit Program, established under Chapter 592, Statutes of 1995 and subsequently merged into the STRP by Chapter 1048, Statutes of 1998 (SB 2085), is a defined benefit pension plan. The CB Benefit Program operates under the IRC and is designed for employees of California's public schools who are hired to perform creditable service for less than 50% of the full-time equivalent for the position. Interest is credited to the nominal CB Benefit Program accounts at the minimum guaranteed annual rate established by the Board prior to each plan year, which was 5.5% for the year ended June 30, 2003. The Board may credit additional earnings to members' nominal accounts if actual investment earnings exceed the expected rate of return.

Participation in the CB Benefit Program is optional to school districts, community college districts, county offices of education, and regional occupational programs. A school district, community college district, county office of education, or regional occupational program may elect to offer the CB Benefit Program. Under such election, the program will automatically cover each eligible employee, unless the employee elects to participate in the DB Program or an alternative plan provided by the employer within 60 days of hire or the election period determined by the employer.

California State Teachers' Retirement System

Notes to the Basic Financial Statements

A summary of statutory contribution rates for the CB Benefit Program is as follows:

Participants	-	4% of applicable participant earnings
Employers	-	4% of applicable participant earnings

Employers may enter into a collective bargaining agreement to pay different rates if certain minimum conditions are met. At June 30, 2003, there were 25 contributing school districts and 16,160 contributing participants.

In the most recent actuarial valuation as of June 30, 2002, the System's independent actuaries determined that the actuarial obligation of the CB Benefit Program exceeded the actuarial value of assets by \$3.3 million. While certain risks related to the global financial markets may affect the fair value of the System's investment portfolio, the System's management is continually evaluating the impact of market fluctuations on the assets of the CB Benefit Program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions, and other membership related factors.

Voluntary Investment Program (VIP)

The VIP was established pursuant to Chapter 291, Statutes of 1994. Under the requirements of IRC Section 403(b), the VIP is a tax-deferred defined contribution plan open to any employee from the State's school districts, community college districts, county offices of education, and regional occupational programs. Contributions to the program are voluntary and are not subject to a minimum limitation. However, the IRC imposes a maximum amount that can be contributed annually. At June 30, 2003, there were 3,193 plan participants and 404 participating employers (school districts).

CitiStreet, L.L.C. provides administrative services to the VIP, including custody and record keeping services. The VIP's investments are comprised of the Share Account Manager, Mutual Fund Window account and Temp Cash Fund. The Share Account Manager invests in various mutual funds, including bond and stock funds. The Mutual Fund Window account allows plan participants to select and invest in certain domestic and international mutual funds. The Temp Cash Fund invests in various money market instruments.

Teachers' Health Benefits Fund (THBF)

The THBF was established pursuant to Chapter 1032, Statutes of 2000 (SB 1435) to provide the Medicare Premium Payment Program to retired members of the DB Program. Funds from the THBF are used to pay Medicare Part A premiums for DB Program members who are retired or will retire prior to January 1, 2006, and who meet certain other eligibility criteria.

The THBF is funded as needed, from that portion of the monthly DB Program statutory employer contribution that exceeds the DB Program annual required contribution. Management believes the current source of THBF funding will be adequate to provide for the statutory THBF benefits. At June 30, 2003, there were 5,683 retirees participating in the THBF.

Teachers' Replacement Benefits Program Fund (TRBPF)

IRC Section 415(b) imposes a dollar limit on the annual retirement benefits an individual may receive from a qualified defined benefit pension plan. The TRBPF was established pursuant to Chapter 465, Statutes of 1999 (AB 819) to provide benefits to the members of the System whose defined benefit retirement benefit exceeds the IRC 415(b) statutory limit.

California State Teachers' Retirement System

Notes to the Basic Financial Statements

The TRBPF is funded as needed. Monthly employer contributions are received by the TRBPF and paid to members in amounts "equivalent to" the benefits not paid as a result of IRC Section 415(b), subject to withholding for any applicable income or employment taxes. At June 30, 2003, there were five retirees participating in the TRBPF.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accounting records of the System are maintained on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer and State contributions are recognized when due and the employer or State has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the System's retirement and benefits programs.

Use of Estimates in the Preparation of Financial Statements

The preparation of the System's basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and when applicable, disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit and highly liquid financial instruments with original maturities of 90 days or less. Significant cash equivalents held by the System include repurchase agreements and foreign currency.

Investments

The majority of the securities held in the investment portfolio at June 30, 2003, are in the custody of or controlled by State Street Bank, the System's master custodian. State statutes and Board policies allow investments consisting of government, corporate and international bonds, domestic and international equities, mutual funds, limited partnership holdings, real estate, mortgages, and other investments.

Investments are reported at fair value. The fair values of investments are generally based on published market prices and quotations from major investment firms. In the case of debt securities acquired through private placements, management, based on market yields, computes fair value and average maturity dates of comparable quoted securities. Mortgages are valued based on future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Real estate equity investment fair values are based on either recent estimates provided by the System's contract real estate advisors or independent appraisers. Short-term investments are reported at cost or amortized cost, which approximates fair value. Alternative investments represent interests in private equity partnerships in which the System enters under a limited partnership agreement. For alternative investments and other investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, has determined the fair values for the individual investments.

California State Teachers' Retirement System

Notes to the Basic Financial Statements

The System presents, in the combined statements of changes in fiduciary net assets, the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains and losses and the unrealized appreciation and depreciation on those investments. Purchases and sales of debt securities, equity securities, and short-term investments are recorded on the trade date. Real estate equity transactions are recorded on the settlement date. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

There are certain market risks, credit risks, foreign currency exchange risks, and event risks which may subject the System to economic changes occurring in certain industries, sectors, or geographies.

Investment Risk Management

The STRP enters into forward foreign currency exchange contracts for hedging purposes to minimize the short-term impact of foreign currency fluctuations on the asset positions of its foreign investments. The STRP also enters into futures contracts to minimize exposure to unfavorable fluctuations in the domestic equity markets. The futures contracts are financial instruments that derive their value from underlying indices. These hedging contracts are reported at fair value based on published market prices and quotations from major investment firms. The STRP could be exposed to risk if the counter-parties to the contracts are unable to meet the terms of their contracts. The STRP seeks to minimize risk from counter-parties by establishing minimum credit quality standards and maximum credit limits.

Administrative Expenses

The cost of administering the STRP is financed through the contributions and investment earnings that it receives. The VIP reimburses the STRP and the THBF for administrative services provided on their behalf.

Income Taxes

The STRP, THBF, and TRBPF are organized as tax-exempt retirement or benefit plans under the IRC. The VIP is organized as a tax-deferred supplemental program under the IRC. The System's management believes that it has operated these funds and programs within the constraints imposed by federal tax law.

Investment Expenses

Expenses directly associated with investment management have been included as other investment expenses. Indirect expenses have not been allocated.

Securities Lending Transactions

The System reports securities lent, the cash collateral held as assets, and the related liabilities resulting from securities lending transactions on the combined statements of fiduciary net assets. The System also reports the costs of lending securities as investment expenses on the combined statements of changes in fiduciary net assets.

California State Teachers' Retirement System

Notes to the Basic Financial Statements

3. Cash, Cash Equivalents, and Investments

Cash held in the System's general operating accounts with the State Treasury was approximately \$250.6 million at June 30, 2003. These monies are pooled with the monies of other State agencies and invested by the State Treasurer's Office.

The System's investments are categorized below to give an indication of the category risk level assumed by the System at June 30, 2003, as defined by Governmental Accounting Standards Board (GASB) Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Category 1, the lowest risk, includes investments that are insured or registered or for which the System or its agent in the System's name holds the securities. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party or by its trust department or agent but not in the System's name. Investment pools managed by other governments, mutual funds, investments held by broker-dealers under securities loans, limited partnerships, and real estate equity investments are not categorized. There were no investments in Category 2 or 3 at June 30, 2003.

California State Teachers' Retirement System

Notes to the Basic Financial Statements

The following table presents cash equivalents and investments held by the System, by type, at June 30, 2003 (dollars in thousands):

Investment Type	Category 1	Category Rating Not Required	Fair Value
Investments			
Short-term investments:			
Surplus Money Investment Fund	\$ -	\$ 251,591	\$ 251,591
Short Term Investment Fund	-	383	383
Certificates of deposit	25,000	-	25,000
Commercial paper	1,428,131	-	1,428,131
Treasury bills	53,625	-	53,625
Short-term agencies	716,143	-	716,143
Debt securities:			
Corporate obligations	9,599,954	-	9,599,954
US government obligations	1,826,675	-	1,826,675
Securitized obligations:			
Mortgage backed securities	6,661,593	-	6,661,593
Collateralized mortgage backed securities	754,467	-	754,467
Asset backed securities	216,767	-	216,767
Commercial mortgage backed securities	393,882	-	393,882
Equity securities	53,604,750	-	53,604,750
Mutual Funds:			
Temp Cash Fund	-	26,632	26,632
Fixed income funds	-	4,677	4,677
Equity funds	-	42,924	42,924
Alternative investments:			
Direct alternative investments	139,853	-	139,853
Limited partnerships	-	4,922,430	4,922,430
Real estate	-	5,779,431	5,779,431
Home loan program	-	618,469	618,469
Investments held by broker-dealer under securities loans:			
Debt securities:			
Corporate obligations	-	362,300	362,300
US government obligations	-	6,976,384	6,976,384
Securitized obligations:			
Mortgage backed securities	-	700,555	700,555
Asset backed securities	-	10,469	10,469
Equity securities	-	6,146,505	6,146,505
Sub-total investments	\$ 75,420,840	\$ 25,842,750	\$ 101,263,590
Securities Lending Collateral			
Short-term investments:			
Short Term Investment Fund	\$ -	\$ 211,924	\$ 211,924
Certificates of deposit	758,023	-	758,023
Commercial paper	93,074	-	93,074
Time deposits	105,553	-	105,553
Debt securities:			
Corporate obligations	5,007,922	-	5,007,922
US government obligations	794,126	-	794,126
Securitized obligations:			
Asset backed securities	6,106,996	-	6,106,996
Cash equivalents:			
Repurchase agreements	1,289,235	-	1,289,235
Sub-total securities lending collateral	\$ 14,154,929	\$ 211,924	\$ 14,366,853
Total Investments	\$ 89,575,769	\$ 26,054,674	\$ 115,630,443
Cash Equivalents			
Repurchase agreements	\$ 28,200	\$ -	\$ 28,200
Foreign currency	127,758	-	127,758
Total Cash Equivalents	\$ 155,958	\$ -	\$ 155,958

California State Teachers' Retirement System

Notes to the Basic Financial Statements

The investment in the Surplus Money Investment Fund (SMIF), administered by the State, represents various investments with average days to maturity of approximately 212 days, and is reported at amortized cost, which approximates fair value.

The investment in the Short-term Investment Fund, administered by State Street Bank, represents various investments with average days to maturity of approximately 55 days, and is reported at amortized cost, which approximates fair value.

The repurchase agreement transactions included in cash equivalents as of June 30, 2003, have underlying collateral with fair values of approximately 102% of the cost of the repurchase agreement. The agreed-upon yield is 0.35% with maturity dates through July 1, 2003.

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held as a form of investment. Foreign currency is held temporarily in foreign interest-bearing accounts until it can be repatriated or expended.

In the current fiscal year, the System initiated an investment program to leverage its real estate investments by borrowing against select real estate holdings (Leverage Program). Under the Leverage Program, two debt strategies were executed: a commercial mortgage-backed security (CMBS) for \$750 million and a revolving line of credit for \$275 million, net (collectively, the Leverage Program Obligation). The System used the proceeds from the Leverage Program Obligation to purchase various investments. At June 30, 2003, the ratio of the Leverage Program Obligation to the fair value of the underlying collateral of real estate properties was 35.7%. At June 30, 2003, the outstanding amount on the revolving line of credit was \$275.0 million, which matures in January 2006. Approximately \$456.1 million and \$19.5 million of the CMBS are due November 2007 and November 2009, respectively. Interest on the Leverage Program Obligation is based on various factors and is payable monthly. As of June 30, 2003, the annual interest rates ranged from 1.5% to 4.7%.

State statutes and Board policies permit the System to make short-term, collateralized loans of its securities to broker-dealers and other entities in order to earn incremental income. STRP has contracted with third party securities lending agents and its custodian to lend domestic and international equity and debt securities. The majority of security loans can be terminated on demand by either STRP or the borrower. Collateral in the form of cash or other securities is required for 102% and 105% of the fair value of domestic and international securities, respectively, loaned. Since the majority of these loans are terminable at will, their duration does not generally match the duration of the investments made with the cash collateral. At June 30, 2003, the weighted duration difference between the investments and these loans was 22 days. As of June 30, 2003, the System has no credit risk exposure to borrowers because the amounts the STRP owes the borrowers exceed the amounts the borrowers owe the STRP. STRP is not permitted to pledge or sell collateral securities received unless the borrower defaults. The contracts with the security lending agents require them to indemnify STRP if the borrowers fail to return the securities (or if the collateral is not sufficient to replace the securities lent) or if the borrower fails to pay STRP for income distributions by the securities' issuers while the securities are on loan.

California State Teachers' Retirement System

Notes to the Basic Financial Statements

4. Contingencies

The System is involved in litigation relating to various matters. In the opinion of management, after consultation with legal counsel, the outcome of these litigations is not expected to have a material adverse effect on the System's financial position.

5. Commitments

In connection with the purchase of various partnership interests under its alternative investment portfolio and the real estate portfolio, the STRP has remaining funding commitments of approximately \$3.8 billion and \$1.5 billion, respectively, at June 30, 2003.

The STRP has entered into agreements through its Credit Enhancement Program to guarantee payment of principal and interest on certain debt securities in the event of default. At June 30, 2003, the STRP had commitments of approximately \$1.6 billion expiring through January 2008. The STRP is paid a fee over the term of such agreements and earned approximately \$4.8 million for the year ended June 30, 2003.

6. Subsequent Events

On July 1, 2003, the System did not receive the full amount of a transfer due from the State General Fund for payment to the SBMA (Note 1) pursuant to a continuous appropriation set forth in Education Code Section 22594. Instead of the sum of approximately \$558.9 million owed under Section 22594, the System received the reduced amount of approximately \$58.9 million pursuant to legislation (Chapter 6, Statutes of 2003, First Extraordinary Session) adopted by the State in partial response to the State's budget crisis applicable in the 2003-2004 fiscal year only. The System has initiated litigation to compel the State to transfer the remaining amount of \$500.0 million to the System.

In August 2003, Standard and Poor's Ratings Services downgraded the System's Credit Enhancement Program long-term credit rating to "AA+" from "AAA". The System's short-term "A-1+" rating was unaffected. Management believes that the downgrade reflects a similar downgrade for the State, the System's principal sponsor, and analyst expectation of a further decline in the System's funded ratio. Management also believes that the State's decision to reduce its July 1, 2003 SBMA contribution payment to the System influenced the credit rating downgrade.

Required Supplemental Information

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Funding Progress
(Dollars in Millions)

Schedule I

The information presented in Supplemental Schedules I and II was determined as part of the actuarial valuations at June 30 of the respective years, except where noted. For the year ended June 30, 2002, the DBS Program was funded by member contributions only.

Actuarial Valuation Date as of June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
Defined Benefit Program ⁽¹⁾ :						
2003	(2)	(2)	(2)	(2)	(2)	(2)
2002	(3)	(3)	(3)	(3)	(3)	(3)
2001	\$ 107,654	\$ 109,881	\$ 2,227	98 %	\$ 20,585	11 %
2000	102,225	93,124	(9,101)	110 %	18,224	(50)%
1999	90,001	86,349	(3,652)	104 %	17,185	(21)%
1998	77,290	74,234	(3,056)	104 %	15,741	(19)%
Cash Balance Benefit Program ⁽¹⁾ :						
2003	(2)	(2)	(2)	(2)	(2)	(2)
2002	\$ 22	\$ 25	\$ 3	87 %	\$ 90	4 %
2001	16	17	1	93 %	98	1 %
2000	11	10	(1)	105 %	71	(1)%
1999	5	5	(1)	104 %	50	0 %
1998	1	2	1	46 %	19	5 %
Defined Benefit Supplement Program ⁽⁴⁾ :						
2003	(2)	(2)	(2)	(2)	(2)	(2)
2002	\$ 660	\$ 711	\$ 51	93 %	\$ 21,732	0.02 %
2001	207	213	6	97 %	20,585	0.03 %

(1) Effective January 1, 1999, the Defined Benefit Plan (DB Plan) and the Cash Balance Plan (CB Plan) merged to establish the State Teachers' Retirement Plan (STRP) which includes the Defined Benefit Program (DB Program) and the Cash Balance Benefit Program (CB Benefit Program). All actuarial data prior to year ended June 30, 1999, relates to the DB Plan and CB Plan.

(2) Actuarial valuations as of June 30, 2003, are expected to be available by Summer of 2004.

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Funding Progress
(Dollars in Millions)

Schedule I (Continued)

- (3) Beginning July 1, 2001, actuarial valuations are not prepared in even numbered years. No estimation using actuarial methodology is made in years between valuations.
- (4) Effective January 1, 2001, the Defined Benefit Supplement Program (DBS Program) was established as part of the STRP. The 2001 information presented for the DBS Program, was subject to an actuarial study only, which is less in scope than a full actuarial valuation.

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Contributions from Employers
and Other Contributing Entities
(Dollars in Millions)

Schedule II

Year Ended June 30	Annual Required Contribution (a)	Contributed By Employers ⁽¹⁾ (b)	Contributed By the State ⁽²⁾ (c)	Total Contributed (b + c)	Percentage Contributed (b + c)/a
Defined Benefit Program ⁽³⁾:					
2003	\$ 2,545	\$ 1,890	\$ 431	\$ 2,321	91%
2002	2,498	1,851	385	2,236	90%
2001	1,794	1,749	455	2,204	123%
2000	1,150	1,584	519	2,103	183%
1999	1,473	1,492	209	1,701	115%
1998	1,911	1,419	587	2,006	105%
Cash Balance Benefit Program ⁽³⁾:					
2003	\$ 4	\$ 4	\$ -	\$ 4	100%
2002	4	4	-	4	100%
2001	3	3	-	3	100%
2000	2	2	-	2	100%
1999	2	2	-	2	100%
1998	1	1	-	1	100%
Defined Benefit Supplement Program:					
2003	\$ 72	\$ 72	\$ -	\$ 72	100%

(1) For DB Program year ended June 30, 1998, amounts include employer contributions under Education Code Sections 22950 and 22953. For the years ended June 30, 1999 and thereafter, amounts include employer contributions under Education Code Sections 22950 and 22951. For the year ended June 30, 2000, amount also includes employer contributions under Education Code Sections 22135, 22714 (less amounts deposited in the SBMA) and 22718.

(2) The DB Program includes State contributions under Education Code Section 22955.

(3) Effective January 1, 1999, the DB Plan and the CB Plan merged to establish the STRP which includes the DB Program and the CB Benefit Program. All actuarial data prior to year ended June 30, 1999, relates to the DB Plan and CB Plan.

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Contributions from Employers
and Other Contributing Entities

Schedule II (Continued)

Additional information as of the June 30, 2001, actuarial valuation for the DB Program is as follows.

DB Program

Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of payroll
Amortization Period	Open
Remaining Amortization Period	29 - Years
Asset Valuation Method	3-Year Asset Smoothing

Actuarial Assumptions:

Investment rate of return	8.00%
Interest on accounts	8.00%
Projected salary increases	4.25%
Consumer price inflation	3.50%
Post-retirement benefit increases	2.00% simple

Additional information as of June 30, 2002, actuarial valuations for the CB Benefit Program and the DBS Program is as follows:

CB Benefit Program

DBS Program

Actuarial Cost Method	Traditional Unit Credit	Traditional Unit Credit
Amortization Method	Not applicable	Not applicable
Amortization Period	Not applicable	Not applicable
Remaining Amortization Period	Not applicable	Not applicable
Asset Valuation Method	Fair market value of net assets	Fair market value of net assets

Actuarial Assumptions:

Investment rate of return	8.00%	8.00%
Interest on accounts	8.00%	8.00%
Projected salary increases	4.25%	4.25%
Consumer price inflation	3.50%	3.50%
Post-retirement benefit increases	Not applicable	Not applicable

Other Supplemental Information

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Administrative Expenses
For the Year Ended June 30, 2003
(Dollars in Thousands)

Schedule III

Personnel services:

Salaries and wages	\$ 26,008
Staff benefits	6,528
Accrued vacations	3,592
Total personnel services	<u>36,128</u>

Operating expenses and equipment:

General expense	3,017
Depreciation expense	234
Printing	1,232
Communications	679
Postage	1,276
Insurance	12
Travel	271
Training	602
Facilities operations	4,637
Consultants and professional services	6,763
Consolidated data center:	
Consultants and professional services	7,420
Data processing:	
Consultant and professional services	12,910
Software and other	1,988
Central administrative services	1,529
Equipment	103
Other	1
Interest	2
Total operating expenses and equipment	<u>42,676</u>
Total current year expenses that are budgeted	<u>78,804</u>

Prior year expenses, net	(6,055)
Total	<u>\$ 72,749</u>

Fund sources:

Budget Act, Chapter 106, Statutes 2001	\$ 78,306
Legislation, Chapter 802, Statutes 2001	697
Legislation, Chapter 1021, Statutes 2001	37
Education Code 22330	15
SBMA/administration expense	(85)
Reimbursements	(166)
Prior-Budget Act	(6,055)
Total fund sources	<u>\$ 72,749</u>

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Investment Expenses from Continuous Appropriation
For the Year Ended June 30, 2003
(Dollars in Thousands)

Schedule IV

External equity managers:

Domestic:

Ariel Capital Management	\$	1,807
Barclays Global Investors		1,754
Brown Capital Management Inc.		1,214
Chicago Equity Partners		970
Delaware Investment Advisors		848
Delphi Management, Inc.		1,045
Denver Investment Advisor Inc.		3,105
DSI International Management		315
First Quadrant		2,140
Mellon Capital Management		303
NCM Capital Management Group Inc.		517
Putnam Investments		245
Sasco Capital, Inc		3,494
State Street Bank Global Advisors		1,305
TCW Asset Management		335
UBS Global Asset Management		2,285
Total domestic		<u>21,682</u>

International:

Bank of Ireland		1,925
Barclays Global Investors		829
Battery March		910
Blackrock International Ltd.		967
Capital Guardian Trust		3,514
Columbia Management Advisor's Inc.		737
Delaware International Trust		1,363
Deutsche Asset Management		307
Fidelity Management Trust Co.		1,353
Fiduciary Trust International		1,366
Goldman Sachs		1,179
Lazard Freres Asset Management		2,244
Marvin & Palmer Associates Inc.		1,626
Morgan Stanley		1,497
Nicholas Applegate		1,557
Oechsle International Advisors		2,826
Schroder Capital Management Investment, Ltd.		1,366
State Street Global Advisors		1,605
UBS Global Asset Management		1,800
Total international		<u>28,971</u>
Total external equity managers		<u>50,653</u>

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Investment Expenses from Continuous Appropriation
For the Year Ended June 30, 2003
(Dollars in Thousands)

Schedule IV (Continued)

External fixed income managers:	
Hartford Investment Management Company	824
MW Post Advisory Group, LLC	593
Seix Investment Advisors	919
Shenkman Capital Management	235
Total fixed income managers	<u>2,571</u>
Real estate managers/advisors:	
CB Richard Ellis	5,607
Clarion Partners	1,511
Heitman Capital MGMT LLC	1,647
Lend Lease Real Estate Inv	3,877
Lowe Enterprises	912
MIG Realty Advisors, Inc.	324
Principal Global Investors	1,238
SSR Realty Advisors	1,841
Sentinel Realty Advisors	168
Thomas Properties	1,047
Total real estate managers/advisors	<u>18,172</u>
Advisors and consultants:	
Altius Associates	217
Bard Consulting	31
Bonuccelli & Associates, Inc	20
Callan Associates	40
Cambridge Associates	425
Courtland Partners, LTD	47
Houlihan Loke Howard & Zukin	75
KPMG LLP	184
McKinsey & Company, Inc. Uni	518
Pacific Corporate Group	49
Pathway Capital Management, LLC	25
Pension Consulting Alliance	1,067
Sarofim Realty	958
The McMahan Group	89
Watson Wyatt Worldwide	61
Westwood Consulting Group	112
William Mercer Investments	33
Total advisors and consultants	<u>3,951</u>

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Investment Expenses from Continuous Appropriation
For the Year Ended June 30, 2003
(Dollars in Thousands)

Schedule IV (Continued)

Attorneys, master custodian and insurers:	
Cox, Castle & Nicholson	494
Groom Law Group	104
Lofton & Jennings	28
Robert Driver Ins Brokerage	420
State Street Bank & Trust Co.	3,725
Testa, Hurwitz & Thibeault, LLP	13
Total attorneys, master custodian and insurers	<u>4,784</u>
Other Expenses:	
CSUS Foundation	107
Miscellaneous	81
State Controller's Office	19
State Personnel Board	2
Stephen Teale Data Center	22
Travel	334
Total other expenses	<u>565</u>
Total investment expenses from continuous appropriation	<u>\$ 80,696</u>

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Consultant and Professional Services Expenses
For the Year Ended June 30, 2003
(Dollars in Thousands)

Schedule V

Individual or Firm	Commission/ Fee	Nature of Service
Consulting and professional services:		
Alameda County Office of Education	\$ 102	Regional Counseling Services
California State University Foundation	1,093	Consulting Services
Campbell Union High School District	174	Regional Counseling Services
Carroll & Scully, Inc.	114	Legal Services
Contra Costa County Office of Education	103	Regional Counseling Services
Department of General Services	22	Legal Services
Department of Justice	99	Legal Services
Employment Development Department	26	Consulting Services
Fleishman-Hilliard	154	Consulting Services
Fresno County Office of Education	90	Regional Counseling Services
Hogan & Hartson	198	Advocate and Legal Representation
Kern County Superintendent of Schools	173	Regional Counseling Services
Liebman & Associates	27	Vocational Assessments and Reports
Los Angeles County Office of Education	712	Regional Counseling Services
Merced County Office of Education	37	Regional Counseling Services
Mercer Human Resource Consulting	167	Consulting Services
Milliman USA	88	Actuarial Services
Olsen, Hagel & Fishburn, LLP	69	Legal Services
Orange County Department of Education	229	Regional Counseling Services
Pleasanton Unified School District	103	Regional Counseling Services
PricewaterhouseCoopers LLP	86	Audit Services
San Bernardino County Office of Education	268	Regional Counseling Services
San Diego County Office of Education	247	Regional Counseling Services
San Francisco County Office of Education	49	Regional Counseling Services
San Joaquin County Office of Education	117	Regional Counseling Services
San Juan Unified School District	197	Regional Counseling Services
San Mateo-Foster School District	90	Regional Counseling Services
Santa Barbara County Office of Education	89	Regional Counseling Services
Santa Cruz County Office of Education	81	Regional Counseling Services
Shasta County Office of Education	137	Regional Counseling Services
Solano County Office of Education	69	Regional Counseling Services
Sonoma County Office of Education	93	Regional Counseling Services
Stanislaus County Office of Education	50	Regional Counseling Services
State Controller's Office	795	Various Financial Services
State Personnel Board	47	Legal Services
Superior Rehabilitation Services	16	Vocational Assessments and Reports
Tulare County Superintendent of Schools	59	Regional Counseling Services
Ventura County Superintendent of Schools	100	Regional Counseling Services
Visual Communications	45	Consulting Services
W.O.B. Management	21	Vocational Assessments and Reports
Yuba County Office of Education	48	Regional Counseling Services
Other	279	Various Services under \$10
	6,763	

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Consultant and Professional Services Expenses
For the Year Ended June 30, 2003
(Dollars in Thousands)

Schedule V (Continued)

Individual or Firm	Commission/ Fee	Nature of Service
Data Processing:		
Aspen Computer Solutions	119	Data Processing
Audio Graphic Systems	16	Data Processing
The Ballard Group	705	Data Processing
Barr Systems	10	Data Processing
Capital Network Solutions	25	Data Processing
Citistreet Advisors	60	Data Processing
Coastline Technology	161	Data Processing
Compaq	7	Data Processing
Convergent Computing	125	Data Processing
Direct Applications, Inc.	39	Data Processing
Eclipse Solutions	221	Data Processing
Filenet Corporation	11	Data Processing
Graphic Focus	53	Data Processing
H. L. Yoh, Company, LLC	65	Data Processing
Inforce, Inc.	434	Data Processing
Information Technology	353	Data Processing
Inter Plex International, LLC	149	Data Processing
International Network	658	Data Processing
Jaykumar Maistry	190	Data Processing
Key Municipal Finance	101	Data Processing
KPMG, LLP	55	Data Processing
Mara Consulting	163	Data Processing
Meta Group	32	Data Processing
Montridge Consulting	38	Data Processing
MSX International	114	Data Processing
Nanran	1,040	Data Processing
Net Incomm Incorporated	488	Data Processing
NFP Accounting	16	Data Processing
Norrisoft	48	Data Processing
Personal Enterprises	36	Data Processing
Pilot Computer Systems	80	Data Processing
Princeton Solutions Group	205	Data Processing
Quest Media & Supplies	150	Data Processing
Sapphire Technologies	254	Data Processing
Science Applications	49	Data Processing
Sierra Metrics, Inc	854	Data Processing
Software AG, Inc.	564	Data Processing
Synergy Consulting, Inc.	1,106	Data Processing
Systems West Computer	41	Data Processing
Tetra Corporation Services	13	Data Processing
Thomas Ferrous	171	Data Processing
Visionary Integration	1,482	Data Processing
Venturi Technology Partners	171	Data Processing
Verizon Network	30	Data Processing
Witness Systems	25	Data Processing
Worldgroup Consulting	1,406	Data Processing
Wright On-Line Systems	744	Data Processing
Other	33	Various Services under \$10
	12,910	

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Consultant and Professional Services Expenses
For the Year Ended June 30, 2003
(Dollars in Thousands)

Schedule V (Continued)

Individual or Firm	Commission/ Fee	Nature of Service
Consolidated Data Center:		
Health and Welfare Data Center	20	Data Processing
Stephen P. Teale Data Center	<u>7,400</u>	Data Processing
	<u>7,420</u>	
 Total consultant and professional services expenses	 <u>\$ 27,093</u>	

California State Teachers' Retirement System
Voluntary Investment Program
Schedule of Administrative Expenses
For the Year Ended June 30, 2003
(Dollars in Thousands)

Schedule VI

CitiStreet, L.L.C. administrative fees	\$	376
State Teachers' Retirement Plan administrative fee		100
State Teachers' Retirement Plan sponsor fee		26
Loan fee		2
Total	\$	<u>504</u>

California State Teachers' Retirement System
Teachers' Health Benefits Fund
Schedule of Administrative Expenses
For the Year Ended June 30, 2003
(Dollars in Thousands)

Schedule VII

Personnel services:

Salaries and wages	\$ 183
Staff benefits	52
Accrued vacations	21
Total personnel services	<u>256</u>

Operating expenses and equipment:

General expense	95
Training	1
Prorata	30
Total operating expenses and equipment	<u>126</u>
Total current year expenses that are budgeted	<u>\$ 382</u>

Prior year expenses, net	<u>(27)</u>
Total	<u>\$ 355</u>

Fund sources:

Continuous Appropriation - Chapter 1032 Statutes of 2000	<u>\$ 355</u>
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Investment Consultant's Report



The CalSTRS investment portfolio increased by \$3.8 billion over the past twelve months ending with a value of \$100.5 billion on June 30, 2003. As highlighted below, the CalSTRS portfolio is broadly diversified, holding investments ranging from publicly-traded short-term bonds to privately-held partnerships. Clearly, the scale and breadth of investments make the management and oversight of these assets highly complex. In light of these factors, CalSTRS has been effective in using its resources in a cost-efficient manner to ensure that benefits continue to flow to CalSTRS participants.

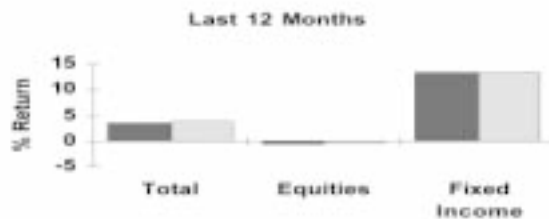
Investment Allocation

The most critical factor influencing overall investment performance is the allocation of the CalSTRS portfolio across major asset classes. The fiscal year-end report reflects asset allocation guidelines for the 2003-2004 fiscal year as a step towards long-term targets adopted in October of 2001 (see left pie chart). The portfolio's actual allocation is slightly different from policy. Domestic Debt and Cash are slightly over weighted while Private Equity is underweighted. Domestic Equity and Foreign Equity are in-line with their targets (see right pie chart).

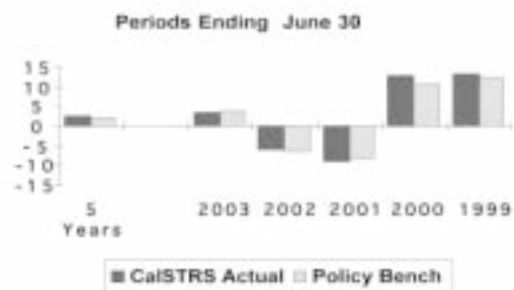


Investment Results

Over the last year, the CalSTRS investment portfolio produced an overall return of 3.4% ranking slightly below median among its large public pension fund peers¹ (top bar chart). The portfolio underperformed policy by approximately 40 basis points largely due to relative underperformance of the Fund's Alternative Investments asset class.² Benchmarking of this asset class is difficult in the short-term (less than five years) and should be discounted to some degree.



During the last three years, CalSTRS' portfolio generated a minus (4.0%) return, underperforming the policy benchmark (third quartile vs. peer funds). Over the last five years, the CalSTRS investment portfolio produced an average annual return of 2.5%, exceeding its policy benchmark by 40 basis points per year (bottom chart). However, these results are significantly below CalSTRS' actuarial rate of return. Successive one-year periods are shown as well. CalSTRS' portfolio has outperformed its policy benchmark in three of the last five one-year periods ending June 30, 2003.³



Pension Consulting Alliance, Inc.

¹ Per TUCS Universe for Public Funds with assets in excess of \$1 billion.
² The policy benchmark consists of passively managed asset class portfolios weighted by CalSTRS' policy allocations. The difference between actual results and the benchmark are due to two factors: i) deviations from policy and ii) active decisions on the part of CalSTRS and its investment managers.
³ CalSTRS' investment performance is calculated using a monthly internal rate of return and day-weighted cash flows. Periods longer than one month are geometrically linked. This method of return calculation complies with AIMR performance presentation standards.

Investments

Whether the stock market rebound of 2003 is the end of the storm or the eye of the storm, one thing is clear, the rebound helped the California State Teachers' Retirement System portfolio produce a positive return after two years of decline. The market value of the CalSTRS portfolio ended the fiscal year back above \$100 billion. Aggressive steps by the Teachers' Retirement Board and staff to rebalance the asset allocation near the lows of the U.S. equity market resulted in over one-half billion dollars of added return for the Teachers' Retirement Fund.

The fiscal year of 2002-2003 can be divided into three separate markets. For the first four months the markets continued the decline of the past two years. With the bear market growing long in the tooth, the next four months found the market building a bottom and a stop in the decline. For the final four months, the global equity markets staged a spectacular recovery gaining over 25 percent in short order.

This pattern was exemplified by the Fund's assets that declined to a low of \$84 billion, only to rebound by nearly \$20 billion in April, May and June. The gain was largely driven by the U.S. and Non-U.S. equity portfolios, which earned 19.0 percent and 15.9 percent respectively in the last quarter of the fiscal year. Over the entire year, the U.S. equity portfolio managed a gain of 1.0 percent while the Non-U.S. equity portfolio declined 5.1 percent.

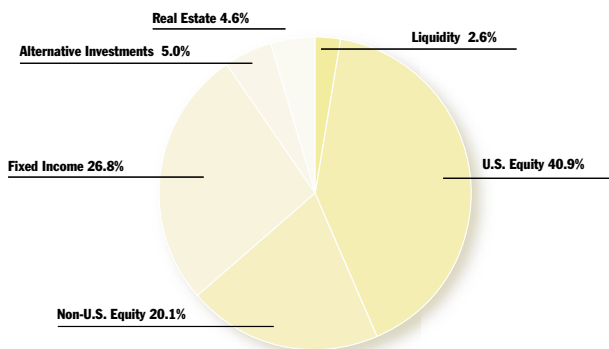
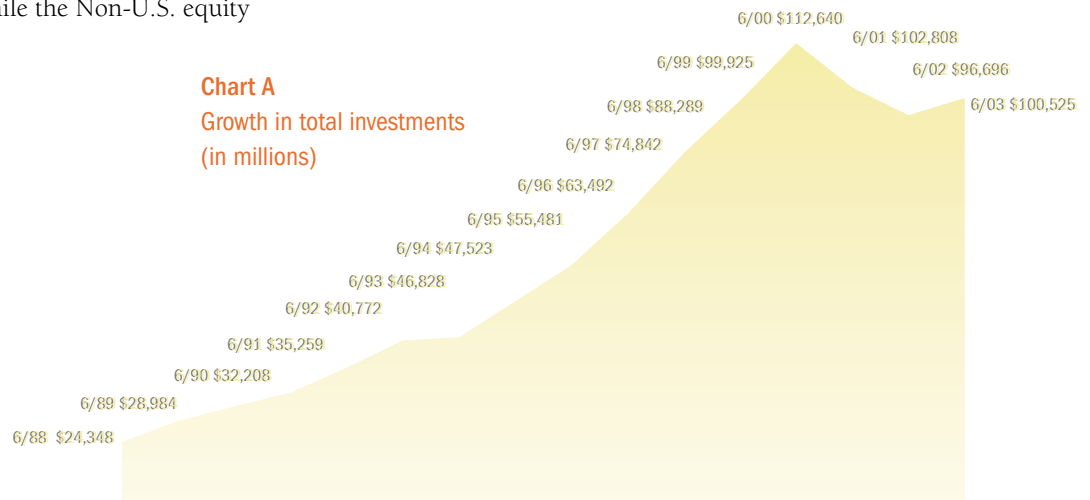
The fixed income portfolio benefited from the decline of interest rates to 40 year lows. At the start of the fiscal year, the Board approved a shift in the benchmark, which will reduce the risk to the portfolio if interest rates should rise. Overall, the fixed income portfolio generated a 13.2 percent return on the year.

The private illiquid asset classes of real estate and private equity performed within expectations. However, these are long-term asset classes and one-year performance is not very meaningful. The real estate portfolio gained 6.3 percent on the fiscal year. The private equity portfolio slightly outperformed its custom benchmark for the one and five year periods, while significantly underperforming it for the three years ended June 30, 2003.

OBJECTIVES

The core objectives of the Investment Management Plan remained unchanged. The primary objectives are set forth in the California Constitution and the California Education Code. The foremost objective is to provide for present and future benefit payments, then to diversify the assets, and finally, to reduce CalSTRS funding costs. Additionally, the Teachers' Retirement Board and staff strive to run the investment program in such a manner so as to maintain the trust of the participants and public.

Chart A
Growth in total investments
(in millions)



Asset Allocation (6/30/03)
Total investment portfolio of \$100.5 billion

Chart B

Growth in CalSTRS' returns (percent)

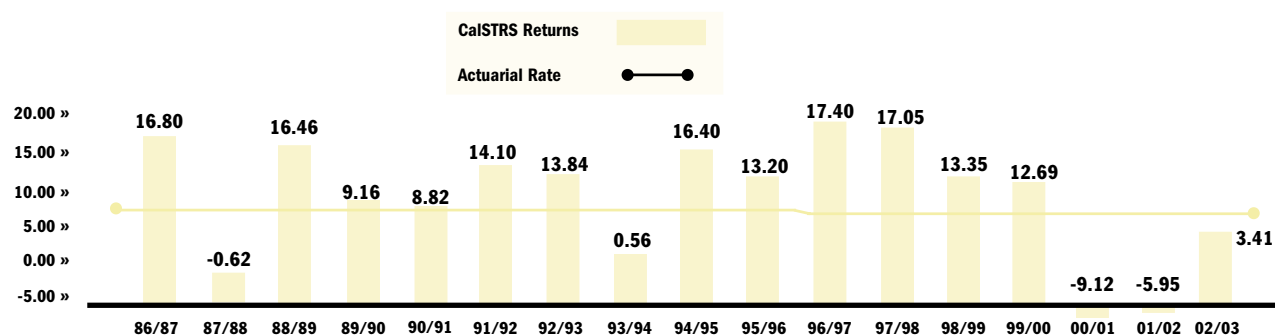


Chart C

Performance returns for major asset categories

Portfolio Type / Associated Indices	1 Yr	3 Yr	5 Yr	10 Yr
Total Fund	3.41%	-4.03 %	2.46%	7.48 %
US Equity	1.04	-10.51	-1.08	9.24
Russell 3000 *	0.69	-10.94	-1.44	9.56
Non-U.S. Equity	-5.06	-12.21	-2.05	4.07
MSCI All Country Free ex US (G) *	-4.28	-12.72	-2.97	3.06
MSCI Emerging Market Free *	6.80	-7.23	2.38	1.41
Fixed Income	13.19	11.02	7.67	7.93
US Debt Custom ⁽¹⁾	13.40	11.31	7.82	7.85
Lehman Brothers US Aggregate	10.41	10.08	7.54	7.21
Real Estate	6.33	10.38	12.21	11.27
Real Estate Custom ⁽²⁾	7.08	8.30	9.83	9.20
Alternative Investments	-3.64	-8.84	9.52	17.34
Alternative Investments Custom ⁽³⁾	-0.51	2.65	6.54	10.62
Liquidity	3.11	4.63	5.22	5.40
Salomon 3-Month Treasury Bill	1.41	3.15	3.89	4.40

* CalSTRS adopted tobacco free indices beginning 9/1/00

(1) Blend of Salomon LPE, LB US Aggregate and LB High Yield Cash Pay for the year ending 6/30/03 due to benchmark transition

(2) NCREIF after 7/1/97 and Institutional Property Consultants prior to 7/1/97; lagged 1 quarter

(3) Blend of the [Russell 3000 + 5% + 90 day T-Bill] after 4/1/99 and [CPI + 12%] prior to 4/1/99; lagged 1 quarter

FIXED INCOME

The fixed income assets within the CalSTRS investment portfolio include internally managed investment grade securities of approximately \$25.6 billion and externally managed high yield securities of approximately \$1.3 billion, which collectively are expected to generate a risk-adjusted return that is representative of the broad market-weighted universe of U.S. bonds. The strategic performance objective for the Fund's fixed income portfolios is to enhance the value of the total investment portfolio by means of a "top-down" approach in which incremental value is to be added through asset allocation, sector rotation and security selection. For the fiscal year ended June 30, 2003, the fixed income portfolios earned 13.2 percent, trailing the performance benchmark by 21 basis points.

Three other programs are managed within the Fixed Income Unit: Currency Hedging, Home Loan and Securities Lending.

Currency Hedging Program

The Currency Hedging Program has been designed to protect the value of the assets of the passively managed segment of the non-dollar equity portfolio by establishing controlled amounts of short currency positions in approved currencies (i.e., hedging), when there is the risk that the U.S. dollar may strengthen. Given the Fund's currency management philosophy, the strategic performance objective for the Currency Hedging Program is to mitigate the risk of the passively managed segment of the non-dollar equity portfolio as compared to the MSCI EAFE Index on an unhedged basis. This is to be accomplished by establishing hedges when there is the risk that the U.S. dollar may strengthen and by removing

them when there is widespread U.S. dollar weakness. Through June 30, 2003, the Currency Hedging Program has generated more than \$600 million in income, offsetting a corresponding decline in the non-dollar equity portfolio.

Home Loan Program

The CalSTRS Home Loan Program was established as a result of legislation in 1984, with a mandate to provide the opportunity for home ownership to qualified participants, while meeting the investment goals of the System by generating a mortgage investment asset. The CalSTRS Home Loan Program strives to offer borrowers a variety of mortgage programs that best meet their individual needs, while also providing "best in class" customer service to our borrowers — before, during, and after the mortgage loan process. The assets created by the Home Loan Program are purchased and managed as part of the mortgage allocation within the Fixed Income portfolio, or sold in the financial markets. As a result, the Home Loan Program is held to the same investment standard and compared to the same performance benchmark as the other mortgage related assets within the Fixed Income Portfolio. Currently, three loan programs are offered through participating Correspondent Lenders who generate approximately \$30 million in mortgage loans every month.

Securities Lending Program

The Securities Lending Program has been designed to enable the Fund to generate incremental income by making collateralized, low-risk, short-term loans, using a portion of the equity and fixed income assets held within the investment portfolio. The performance objective for the program is to earn lending income commensurate with: 1) the market demand for the

Chart D

Ten largest fixed income holdings as of June 30, 2003 (CalSTRS maintains a complete list of portfolio holdings)

Issue	Maturity Date	Interest Rate	Par	Market Value	Average Cost	Unrealized Gain/(Loss)
US TREASURY BONDS	15-Nov-06	3.500%	\$500,000,000	\$527,140,005	\$522,307,724	\$4,832,281
US TREASURY BONDS	15-Jul-06	7.000%	400,000,000	462,347,992	455,819,558	6,528,434
US TREASURY BONDS	15-Oct-06	6.500%	400,000,000	459,579,988	455,031,354	4,548,634
US TREASURY BONDS	28-Feb-05	1.500%	350,000,000	351,704,472	350,114,569	1,589,903
US TREASURY BONDS	15-Aug-19	8.125%	200,000,000	289,205,994	207,395,989	81,810,005
US TREASURY BONDS	15-Aug-07	3.250%	270,000,000	281,796,330	279,597,093	2,199,236
FEDERAL NATL MORTGAGE ASSN	15-Oct-06	4.375%	240,000,000	257,321,500	255,669,109	1,652,391
US TREASURY BONDS	31-Mar-05	1.625%	250,000,000	251,735,000	250,372,592	1,362,408
FEDERAL NATL MORTGAGE ASSN	15-Jan-10	7.250%	200,000,000	247,408,004	241,151,388	6,256,616
TENNESSEE VALLEY AUTHORITY	15-Mar-13	6.000%	200,000,000	234,212,020	205,913,182	28,298,838

securities made available for lending and 2) the return earned on the investment of cash collateral within the guidelines set forth by CalSTRS. For the fiscal year ended June 30, 2003, the Securities Lending Program earned approximately \$65 million in additional income for the Teachers' Retirement Fund.

Internal Equity Management

The objective for Internal Equity Management is to implement portions of the domestic equity allocation. The portfolios include an indexed portfolio and cash equitization program. The performance objective of the internally managed indexed portfolio is to closely track the return of the Russell 1000 ex-Tobacco Index. As of June 30, 2003 the portfolio had a market value of \$14.5 billion. The return of the portfolio for the fiscal year was 0.98 percent. The portfolio's return exceeded the benchmark by 0.11 percent for the period.

The Cash Equitization Program enables CalSTRS to "equitize" the excess cash being held by the domestic equity managers. The program provides a mechanism for the domestic equity allocation to remain close to the board-approved strategic asset allocation policy target. As of June 30, 2003, the program had a market value of \$116.6 million. The return of the program was 1.40 and -10.18 percent for the 1- and 3-year periods, respectively. The program outperformed its benchmark in each period by 1.15 and 1.02 percent, respectively.

ALTERNATIVE INVESTMENTS

The Alternative Investments asset class invests in the private equity universe. These investments involve companies that are not publicly traded and normally require active involvement by the external equity managers hired by CalSTRS. The vast majority of these investments are made through limited partnership portfolios, which consist of pools of investments.

During fiscal year 2002-03, CalSTRS made additional commitments of approximately \$594 million in this segment of the portfolio. Total commitments now amount to approximately \$9.0 billion. There are 120 partnerships and 11 co-investments in the Alternative Investment portfolio. At the end of the fiscal year, the total market value was \$5.1 billion, representing approximately 5.0 percent of the total CalSTRS portfolio. CalSTRS continues to increase its commitments in this area as a result of the allocation review completed at the end of June 1999. The Alternative Investment asset class has achieved annualized returns of -3.6, -8.84 and 9.52 percent, for the 1-, 3-, and 5-year periods respectively, lagged one quarter.

Credit Enhancement

CalSTRS has long-term credit ratings of AA+/Aaa/AAA by Standard and Poor's, Moody's Investors Service, and Fitch Inc., respectively. The ratings are utilized by issuers of municipal debt in California to assist in the issuance of variable rate municipal bonds. CalSTRS enters into agreements with a number of issuers of tax-exempt debt to provide the payment of principal and interest in the event of a non-payment and/or market support in the capital markets. In return, CalSTRS earns fee income for these commitments. Most of the transactions are supported by banks or bond insurers for repayment. As of June 30, 2003, the Credit Enhancement Program had commitments of approximately \$1.6 billion and fee income earned during the fiscal year was approximately \$5 million.

REAL ESTATE

CalSTRS portfolio of leveraged real estate assets is valued at \$4.6 billion. The real estate portfolio is comprised of 122 directly owned properties, nine joint venture relationships and investments in 15 opportunity funds. During the last fiscal year twelve assets were acquired, either fully owned by CalSTRS or with a joint venture partner, and five assets were sold. Real estate assets are 4.6 percent of the total fund with a 6 percent allocation. The direct property portfolio is diversified as to property type and geographic location. The largest component of the direct property sector is office buildings, with the largest weighting in the western region of the United States. During the current fiscal year a Leverage Program was implemented. Two debt strategies were executed: a \$750 million commercial mortgage-backed security transaction and a \$275 million net revolving line of credit. The CalSTRS real estate portfolio has achieved gross annualized returns of 6.33, 10.38 and 12.21 percent for the 1-, 3- and 5-year periods, respectively. CalSTRS return exceeded the NCREIF benchmark by 0.8, 1.8 and 2.0 percent for each of the 1-, 3- and 5-year periods.

Chart E

Ten largest equity holdings as of June 30, 2003 (CalSTRS maintains a complete list of portfolio holdings)

Issue	Shares	Market Value	Average Cost	Unrealized Gain/(Loss)
General Electric Co.	37,056,147	\$1,062,770,296	\$638,198,518	\$424,571,778
Pfizer Inc.	30,316,527	1,035,309,397	607,869,547	427,439,850
Microsoft Corp.	35,711,904	914,581,861	580,558,492	334,023,369
Citigroup Inc.	20,359,086	871,368,881	450,444,229	420,924,652
Exxon Mobil Corp.	24,106,799	865,675,152	547,420,564	318,254,588
Johnson & Johnson	11,615,303	600,511,165	368,685,909	231,825,256
Wal Mart Stores Inc.	10,958,722	588,154,610	250,898,212	337,256,398
Intel Corp.	26,777,672	556,547,135	348,877,896	207,669,239
Merck & Co Inc.	8,434,255	510,694,140	272,643,291	238,050,849
American International Group Inc.	9,029,337	498,238,816	295,373,470	202,865,345

EXTERNAL EQUITY MANAGEMENT

The Public Equity portfolio, which is comprised of both internally and externally managed portfolios, continued to be an important investment vehicle to the fund. In fiscal year 2002–03, this segment of the portfolio accounted for about 61.0 percent (or \$61.3 billion) of the total fund. Domestic Equity accounted for 40.9 percent of the total equity allocation, while International Equity accounted for the remaining 20.1 percent.

The External Equity portfolio is managed by 16 external domestic managers and 18 external international managers. Although the equity markets were extremely volatile, CalSTRS international active managers added value by outperforming their benchmark by 78 basis points; however, CalSTRS domestic active managers slightly underperformed their benchmark by 55 basis points.

CORPORATE GOVERNANCE

During the 2002–03 fiscal year, CalSTRS voted on a variety of proxy issues including financial, corporate governance and social issues. More than 6,900 votes were cast on proxy issues of corporations whose shares were owned in the Investment Portfolio. These proxy issues were presented on approximately 2,714 companies. The overall number of proxy issues decreased from 7,050 last year. The number of mergers/acquisitions reviewed decreased to less than 1 percent from 3 percent of all issues reviewed last year.

The major issues voted are summarized below:

1. Election of Directors: CalSTRS generally votes in favor of directors unless the proxy statement shows circumstances contrary to policy. Examples of such circumstances are: greater than 50 percent board representation by company executives, potential conflict of interest due to other directorships or employment, and classification of the company directors.

Number Voted: 2,632

For: 2,022

Against: 610

2. Selection of Auditors/Accountants: CalSTRS reviews votes for the independent auditors and accountants on a case-by-case basis.

Number Voted: 1,615

For: 650

Against: 965

3. Compensation Plans: (Stock Options, Incentive Stock Options, Employee Stock Purchase Plans, etc.) Corporations provide a variety of compensation plans to keep executives, employees and non-employee directors. A number of these plans provide for the issuance of long-term incentives to attract, reward and retain key employees. Compensation plans are evaluated based on CalSTRS Financial Responsibility Criteria.

Number Voted: 848

For: 303

Against: 545

4. Approve Merger/Acquisition-Management: CalSTRS generally votes in favor of the acquisition or merger of one company into another.

Number Voted: 67

For: 65

Against: 2

5. Corporate Actions/Corporate Governance Issues: These are issues related to spin-offs, stock issuance, stock splits and incorporation. CalSTRS votes these proposals on a case-by-case basis.

Number Voted: 153

For: 133

Against: 20

6. Other–Miscellaneous–Management: CalSTRS generally votes in favor of other miscellaneous business recommended by management, but issues are decided on a case-by-case basis.

Number Voted: 370

For: 269

Against: 101

CASH BALANCE BENEFIT PROGRAM

The Cash Balance Benefit Program contributions were invested into pooled funds from inception (February 1, 1997) through June 30, 2001. Sixty percent of the contributions were allocated to the S & P 500 portfolio and 40 percent to the Government Index portfolio. Beginning July 1, 2002, Cash Balance Benefit Program contributions are invested in the Teachers' Retirement Fund Excluding Private Equity (Alternative and Real Estate investments). The investment value of contributions as of June 30, 2003 is \$29.7 million. The rate of return for the Cash Balance Benefit Program for the fiscal year was 3.6 percent.

DEFINED BENEFIT SUPPLEMENT PROGRAM

The Defined Benefit Supplement Program contributions are invested in the Teachers' Retirement Fund Excluding Private Equity (Alternative and Real Estate investments). Contributions were first received in the Defined Benefit Supplement Program in January 2001. The investment value of those contributions as of June 30, 2003, is \$1.1 billion. Since the inception of the Defined Benefit Supplement Program, the annualized rate of return is -3.3 percent. The rate of return for the Defined Benefit Supplement Program for the fiscal year is 3.6 percent.

Chart F

Investment summary as of June 30, 2002, and for the year ended June 30, 2003 (dollars in millions)

Portfolio Type	June 30, 2002		June 30, 2003			Net Market Change
	Book Value	Market Value	Book Value	Market Value	% of Market Value	
US Equity	\$28,628	\$37,887	\$31,106	\$41,140	40.93%	\$3,253
Non-US Equity	21,972	21,220	21,354	20,171	20.07%	-1,049
Fixed Income	26,260	27,065	25,528	26,939	26.80%	-126
Alternative Investments	4,136	4,257	5,034	5,072	5.05%	815
Real Estate	5,210	5,034	4,779	4,579	4.55%	-455
Liquidity	1,233	1,233	2,624	2,624	2.61%	1,391
Total Portfolio	\$87,439	\$96,696	\$90,426	\$100,525	100.00%	\$3,829
Plus: Securities Lending Collateral		13,325		14,367		
Less: Accruals		181		-819		
Less: Cash & Cash Equivalent		65		156		
Total Investments*		\$109,775		\$115,555		

* State Teachers' Retirement Plan (see page 21 of this report)

Chart G

Schedule of fees July 1, 2002, through June 30, 2003 (dollars in thousands)

	Assets Under Management	Fees	Basis Points
Investment Managers' Fees:			
US Equity	\$ 25,871,056	\$ 21,682	8.4
Non-US Equity	20,170,520	28,971	14.4
Fixed Income	1,288,954	2,571	19.9
Alternative Investments	4,672,917	667	1.4
Real Estate	4,578,523	18,172	39.7
Total Investment Managers' Fees	\$56,581,970	\$72,063	12.7

Chart H

Broker commissions July 1, 2002, through June 30, 2003

Broker Name	Commission	Shares	Commission per Share
US Equity Transactions			
Goldman Sachs	\$818,950	30,382,470	\$0.027
Merrill Lynch Pierce Fenner & Smith Inc.	742,262	29,826,081	0.025
Morgan Stanley and Co, Inc	730,976	31,442,663	0.023
Investment Technology Group Inc.	702,590	34,671,001	0.020
Capital Institutional Services	558,617	12,652,616	0.044
CS First Boston Corporation	499,642	16,637,307	0.030
UBS Warburg LLC	436,237	12,520,653	0.035
Lehman Bros Inc.	422,965	12,491,862	0.034
Jackson Partners & Associates Inc	409,681	8,058,306	0.051
Salomon Smith Barney Inc	382,811	18,433,069	0.021
Other US Brokers	7,447,302	211,523,514	0.035
Total Commissions on US Equity Transactions	\$13,152,034	418,639,542	\$0.031
Non-US Equity Transactions			
Merrill Lynch	\$2,240,206	2,957,274,696	\$0.001
Goldman Sachs	1,101,174	128,853,451	0.009
UBS Ag	1,046,064	108,623,710	0.010
Morgan Stanley & Co	1,019,941	83,767,202	0.012
Instinet	966,337	98,467,288	0.010
Credit Suisse Bank	950,648	200,919,214	0.005
Saloman Brothers Inc.	738,234	97,653,246	0.008
J.P. Morgan Securities Ltd	726,379	145,550,396	0.005
Deutsche Bank Securities Corp	713,378	102,200,301	0.007
Lehman Brothers Securities	676,356	63,647,044	0.011
Other Non-US Brokers	5,731,936	5,127,541,873	0.001
Total Commissions on Non-US Equity Transactions	\$15,910,654	9,114,498,421	\$0.002

Defined Benefit Program

Actuary's Certification Letter

A MILLIMAN GLOBAL FIRM

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November 18, 2003

Teachers' Retirement Board
California State Teachers' Retirement System

Re: Valuation of the Defined Benefit Program

Dear Members of the Board:

We have performed an actuarial valuation of the Defined Benefit Program of the California State Teachers' Retirement System as of June 30, 2001. In our opinion, the DB Program is an actuarially sound system based on the current actuarial assumptions. Our findings indicate the projected income stream from the contributions mandated by the Education Code will be sufficient to pay the Normal Costs and to amortize the Unfunded Actuarial Obligation over 29 years as of June 30, 2001. By comparison, the DB Program is not as well funded as it was in the previous years, due primarily to investment returns during the year being less than the long-term actuarial assumption of 8% per year.

Actuarial valuations are normally performed every two years, as of June 30 of each odd-numbered year. Special valuations were prepared as of June 30, 1998 and 2000. An actuarial valuation was not performed as of June 30, 2002, so the 2001 report is the latest available.

In preparing the 2001 valuation, we relied upon the financial and membership data furnished by the System, and the Report of Independent Accountants prepared by PricewaterhouseCoopers LLP. Although we did not audit this data, we compared the data for this and the prior valuation and tested for reasonableness. Based on these tests, we believe the data to be sufficiently accurate for the purposes of our calculations.

Milliman did not prepare Schedules I and II, nor the summary of actuarial methods and assumptions in Schedule II of the Financial Section, nor the information included in this Actuarial Section of the 2003 Comprehensive Annual Financial Report. However, the actuarial information contained in Schedule I of the Financial Section and in this Actuarial Section was derived from our June 30, 2001 actuarial valuation report.

The Teachers' Retirement Board has sole authority to determine the actuarial assumptions and methods used for the DB Program. The Board adopted all of the actuarial methods and assumptions used in the 2001 valuation.

The findings have been determined according to actuarial assumptions and methods that were chosen on the basis of recent experience of the DB Program and of current expectations concerning future economic conditions. In our opinion, the assumptions used in the actuarial valuation are appropriate for purposes of the valuation, are



internally consistent, and reflect reasonable expectations. The assumptions represent our best estimate of future conditions affecting the DB Program. Nevertheless, the emerging costs of the DB Program will vary from those presented in this report to the extent that actual experience differs from that projected by the assumptions.

The actuarial valuation was prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Standards of Practice adopted by the Actuarial Standards Board of the American Academy of Actuaries. In addition, the assumptions and methods used meet the parameters set for disclosures by Statement No. 25 of the Governmental Accounting Standards Board.

The undersigned is an independent actuary, a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, an Enrolled Actuary, and experienced in performing valuations for large public employee retirement systems.

In conclusion, the DB Program of the California State Teachers' Retirement System is an actuarially sound system based on the current actuarial assumptions.

Respectfully submitted,

Mark C. Johnson, F.S.A., M.A.A.A., E.A.
Principal and Consulting Actuary

Defined Benefit Program

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

CalSTRS, through its consulting actuary, performs an experience study every four years to determine appropriate demographic and economic assumptions. These assumptions are then applied when the consulting actuary performs an actuarial valuation to monitor the funding status of the Defined Benefit Program. The most recent experience study for the period 1995 through 1999 was completed as of June 30, 1999. The study was adopted by the Teachers' Retirement Board on February 3, 2000. The most recent actuarial valuation was completed as of June 30, 2001, and adopted by the Teachers' Retirement Board on May 2, 2002. The following summary and tables were prepared by the CalSTRS staff. All information is considered in the June 30, 2001, actuarial valuation.

Following are the assumptions adopted by the Teachers' Retirement Board for this program.

- Investment return rate is 8.00 percent.
- Method used to value program assets for actuarial valuation purposes: Expected actuarial value adjusted for one-third of the difference between actual market value and expected actuarial value.
- Assumption for general wage increase is 4.25 percent of which 3.5 percent is due to inflation and .75 percent is due to expected gains in productivity.
- The actuarial cost method used by the program is the entry age normal actuarial cost method, with actuarial gains and losses amortized over a period that does not exceed 30 years.
- The extent to which benefits are expected to increase as a result of cost-of-living type adjustments is an annual 2 percent increase to the initial allowance beginning on September 1 following the first anniversary of the effective date of the allowance. Since 1972, this increase is applied to all eligible continuing allowances.

Table 1 Post-retirement mortality table for sample ages

Age	Mortality Rates	
	Male 1999 CalSTRS Retired-M	Female 1999 CalSTRS Retired-F
50	0.19%	0.12%
55	0.32	0.19
60	0.56	0.34
65	1.02	0.67
70	1.80	1.18
75	2.85	1.83
80	5.02	3.78
85	9.42	6.50
90	14.75	11.63
95	23.36	18.62

Table 2 Probabilities of retirement for sample ages

Age	Male	Female
55	5.0%	6.0%
60	20.0	12.0
65	20.0	19.0
70	100.0	100.0

Discussion of recent changes in:

The nature of the program—Since the last experience study as of June 30, 1999, program amendments have been made that have affected both the June 30, 2000 and the June 30, 2001 actuarial valuations. The program amendment effective January 1, 2000, is: Minimum Guarantee payable to certain benefit recipients with at least 20 years of creditable service, equal to \$15,000, increasing in \$500 increments for each additional year of service to \$20,000 at 30 or more years of credited service. The program amendments effective January 1, 2001, were:

- Final Compensation based upon the highest average consecutive 12-month period with 25 years of credited service.
- 25 percent of the 8 percent member contributions allocated to the new Defined Benefit Supplement Program.
- Longevity Bonus of an additional \$200, \$300, or \$400 per month in Defined Benefit Program benefits with 30, 31 or 32 or more years of credited service.
- An ad hoc minimum guarantee of up to 6 percent, based on the initial allowance plus the simple 2 percent benefit improvement, depending upon the year in which the benefit began. This ad hoc was not initially payable until July 1, 2001.

Actuarial assumptions—The actuarial valuation utilizes various methods and two different types of assumptions: economic and demographic. Economic assumptions are related to the general economy and its impact on CalSTRS or to the operation of the membership. Demographic assumptions predict the future experience of the membership with respect to eligibility and benefits and are directly related to the specific experience of CalSTRS members.

Economic assumptions: The two major economic assumptions are investment return and wage growth and each is affected by the underlying assumed rate of inflation. Table 5 provides the economic actuarial assumptions for this program as reflected in the most recent actuarial valuation for the program (as of June 30, 2001).

Demographic assumptions: Tables 1–4 and 6–11 provide demographic assumption information for this program as reflected in the most recent actuarial valuation for the program (as of June 30, 2001).

Table 3 Probabilities of withdrawal from active service before age and service retirement for sample ages

Duration	Entry Ages			
	25-29	30-34	35-39	40+
<i>Male</i>				
1	12.5%	12.5%	12.5%	12.5%
2	9.5	9.2	9.2	9.5
3	6.8	6.8	6.8	7.2
4	5.8	5.8	5.8	6.2
5	4.2	4.2	4.2	4.2
10	2.0	2.0	2.0	2.4
15	1.1	1.1	1.2	
20	0.6	0.6		
25	0.5			
<i>Female</i>				
1	10.0%	10.0%	10.0%	10.0%
2	8.3	8.3	7.5	6.8
3	7.3	6.5	5.5	5.3
4	7.1	5.6	4.5	4.0
5	5.8	4.2	3.5	3.0
10	2.0	1.7	1.4	1.6
15	0.9	1.0	0.9	
20	0.7	0.9		
25	0.6			

Table 4 Assumption for pay increases due to promotions and longevity for sample ages (exclusive of the assumed general wage increase, which includes inflation)

Duration	Entry Ages					
	Under 25	25-29	30-34	35-39	40-44	45 +
1	5.7%	5.3%	5.1%	4.9%	4.9%	3.5%
10	3.2	3.0	2.7	2.3	2.2	1.6
20	1.3	1.2	1.1	0.8	0.8	0.6
30	0.9	0.7	0.6	0.5		

Table 5 Economic assumptions

Consumer Price Inflation	3.5%
Investment Yield	8.00
Wage Inflation	4.25
Interest on Member Accounts	6.00
Growth in Active Membership	0.00
Administrative Expenses	0.00*

* Provided by gross investment return

Table 6 Mortality assumptions

Retired Members

Male	1999 CalSTRS Retired-M
Female	1999 CalSTRS Retired-F

Active Members

Male	1999 CalSTRS Retired-M (-2)
Female	1999 CalSTRS Retired-F (-2)

Beneficiaries

Male	1999 CalSTRS Beneficiary-M
Female	1999 CalSTRS Beneficiary-F

Pre-1972 Disabilities

Male	1951 GAM-M (-1)
Female	1951 GAM-M (-7)

Table 7 Termination from disability due to death

Male	1994 GAM-M (Min. 2.5% with select rates in first 3 years)
Female	1994 GAM-F (Min. 2.2% with select rates in first 3 years)

Table 8 Service retirement (sample ages)

	Benefits	
	Pre-1999	1999
Male		
55	5.8%	5.0%
60	25.0	20.0
65	20.0	20.0
70	100.0	100.0
Female		
55	7.0%	6.0%
60	22.0	12.0
65	18.0	19.0
70	100.0	100.0

Table 9 Disability

Rate of Disability (sample ages)

Coverage A

Male	30	0.030%
	40	0.081
	50	0.159
Female	30	0.030%
	40	0.090
	50	0.219

Coverage B

	Entry Age	Under 40	40+
		Entry Age	Entry Age
Male	30	0.030%	
	35	0.051	
	40	0.120	
	45	0.150	0.196%
	50	0.195	0.288
Female	30	0.030%	
	35	0.051	
	40	0.090	
	45	0.141	0.231%
	50	0.231	0.360
	55	0.318	0.459

Table 10 Withdrawal, all terminations

Rates of termination by sample duration of membership and sample entry age

Duration	Sample Entry Ages			
	25-29	30-34	35-39	40+
Male				
1	12.5%	12.5%	12.5%	12.5%
2	9.5	9.2	9.2	9.5
3	6.8	6.8	6.8	7.2
4	5.8	5.8	5.8	6.2
5	4.2	4.2	4.2	4.2
10	2.0	2.0	2.0	2.4
15	1.1	1.1	1.2	
20	0.6	0.6		
25	0.5			
Female				
1	10.0%	10.0%	10.0%	10.0%
2	8.3	8.3	7.5	6.8
3	7.3	6.5	5.5	5.3
4	7.1	5.6	4.5	4.0
5	5.8	4.2	3.5	3.0
10	2.0	1.7	1.4	1.6
15	0.9	1.0	0.9	
20	0.7	0.9		
25	0.6			

Probability of refund by sample durations of membership and sample entry ages

Duration	Sample Entry Ages			
	25-29	30-34	35-39	40+
Male				
Under 5	100%	100%	100%	100%
10	40	40	45	40
15	40	35	35	
20	35	30		
25	20			
Female				
Under 5	100%	100%	100%	100%
10	25	30	30	25
15	20	30	20	
20	20	20		
25	20			

Table 11 Promotional salary increases (assumption for salaries due to promotions and longevity, exclusive of the assumed general wage increase)

Duration	Sample Entry Ages (Unisex)					
	Under 25	25-29	30-34	35-39	40-44	45+
1	5.7%	5.3%	5.1%	4.9%	4.9%	3.5%
10	3.2	3.0	2.7	2.3	2.2	1.6
20	1.3	1.2	1.1	0.8	0.8	0.6
30	0.9	0.7	0.6	0.5		

ACTUARIAL METHODS

Actuarial Cost Method
Asset Valuation Method

Entry Age Normal
Expected Value with
one-third adjustment to
Market Value (3-Year Asset
Smoothing)

The asset smoothing method projects an Expected Value of Assets using the assumed rate of investment return, then one-third of the difference between the Expected Value and the Market Value is recognized in the Actuarial Value of Assets.

CalSTRS contracts for many actuarial services. The current contractor, Milliman USA, has been the program’s actuary since January 15, 2000.

The data displayed in Table 12 is as of June 30 of the specified year. Other information, specifically annual payroll amounts, reported in the financial section of this report will generally not be consistent. The reason for this is that the financial data reflects payroll for all individuals who were active during the year, while Table 12 only includes those individuals who are active as of June 30. It does not include those individuals who were active at some point during the year but not as of June 30.

Amounts provided in Table 13 represent the status of the population as of June 30 of the indicated year. The information provided in the Removed From Rolls and Rolls End of Year columns include the application of the annual post-retirement 2 percent not-compounded cost-of-living adjustment.

The data provided for each year end in Table 13 is a snapshot of the population taken following year-end closing for the indicated period. It is likely adjustments will be made subsequent to this closing. No attempt is made to update the data in Table 13 for these adjustments.

Because of the potential for post-closing adjustments that are not updated in Table 13, and for post-retirement adjustments that are included in the individual accounts rather than separately maintained, any update of a prior end-of-year total using additions and deletions from the next year most likely will not equal the total provided for the next year.

An experience analysis was performed for the program in 1995 and again in 1999. As a result of the performance of these studies, changes were made to the actuarial assumptions and to the funding methods. The following significant plan changes have taken place during the time depicted in Table 14. These program amendments include:

Effective January 1, 1999

- Increased age factor for members who retire after age 60
- Career factor for members who retire with more than 30 years of service
- Service Credit for unused sick leave

Effective January 1, 2000

- Minimum benefit payable to certain benefit recipients with at least 20 years of creditable service. Minimum benefit is equal to \$15,000 with 20 years of service increasing in \$500 increments for each additional year of service to \$20,000 if the member had 30 or more years of credited service.

Table 12 Schedule of active member valuation data

Date (as of June 30) ⁽¹⁾	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
1995	327,513	\$12,411,264,262	\$37,895	1.0%
1997	364,000	14,371,068,403	39,481	2.3
1998	385,530	15,725,658,541	40,790	3.3
1999	402,220	17,007,886,951	42,285	3.7
2000	420,530	18,224,271,726	43,336	2.5
2001	428,741	20,494,151,991	47,801	10.3

(1) No actuarial report is prepared in even numbered years, except for June 30, 1998 and June 30, 2000 reports.

Table 13 Schedule of retired members and beneficiaries added to and removed from rolls (dollars in thousands)

Date (as of June 30)	Added to Rolls		Removed from Rolls		Rolls-End of Year		% Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
1998	7,996	\$206,368	4,908	\$64,640	157,747	\$2,985,017	7.3 %	\$18,923
1999	7,874	236,923	5,105	69,463	161,457	3,220,227	7.9	19,945
2000	8,184	261,607	5,550	78,483	165,282	3,473,208	7.9	21,014
2001	9,513	369,689	5,694	92,039	170,972	4,006,345	15.3	23,433
2002 ^(a)	10,516	448,243	5,629	97,482	177,072	4,438,853	10.8	25,068
2003	12,024	514,545	5,713	106,693	181,868	4,876,488	9.9	26,813

(a) Figures revised in 2003

Table 14 Solvency test (dollars in millions)

*Valuation Date (as of June 30)	Aggregate Accrued Liabilities For				Funding of Liabilities		
	(1)	(2)	(3)	Actuarial Value of Assets	(1)	(2)	(3)
	Active Member Contributions On Deposit	Future Benefits to Benefit Recipients	Service Already Rendered by Active Members				
1995	\$14,478	\$25,416	\$23,497	\$55,207	100.0%	100.0%	65.2%
1997	17,041	29,127	23,684	67,980	100.0	100.0	92.1
1998	18,451	31,158	24,625	77,290	100.0	100.0	112.4
1999 ^(a)	19,940	33,019	33,390	90,001	100.0	100.0	110.9
2000	21,337	36,238	35,549	102,225	100.0	100.0	125.6
2001 ^(b)	22,661	41,513	45,707	107,654	100.0	100.0	95.1

*No actuarial report is prepared in even-numbered years, except for the June 30, 1998 and June 30, 2000 reports. No estimation using actuarial methodology is made in years between valuations.

(a) Effective January 1, 1999, program changed to increase retirement multiplier and add career factor and service credit for unused sick leave.

(b) Effective January 1, 2001, program changed to provide one-year final compensation with 25 years of service, Longevity Bonus with 30 or more years of service, and an ad hoc improvement of up to 6 percent monthly, depending upon benefit effective date.

Table 15 Analysis of financial experience (gains and losses in unfunded actuarial obligation resulting from differences between assumed and actual experience) (dollars in billions)

	Actuarial Valuation as of June 30	
	2001	2000
Actuarial Obligation at June 30:	\$93,124 (2000)	\$86,349 (1999)
2000 Benefits Increase	5,606	
Normal Cost	3,006	2,692
Benefit Payments	(3,842)	(3,515)
Expected Interest	7,985	6,983
Expected Actuarial Obligation at June 30:	105,879	92,509
Expected Actuarial Value of Assets at June 30:	114,075	100,659
Expected Unfunded Actuarial Obligation at June 30:	(8,196)	(8,150)
Actuarial (Gains) & Losses		
Change in Asset Method		
Change in Actuarial Assumptions		
Investment Return Assumption	6,421	(1,566)
Demographic Assumptions	3,752	260
Net Change Other Sources	250	355
Total Actuarial (Gains) & Losses	10,423	(951)
Unfunded Actuarial Obligation at June 30:	2,227	(9,101)

Effective January 1, 2001

- Final compensation based upon the highest average consecutive 12-month period with 25 years of credited service
- 25 percent of the 8 percent member contributions to the Defined Benefit Program allocated to the new Defined Benefit Supplement Program
- Longevity Bonus of an additional \$200, \$300 or \$400 per month in Defined Benefit Program benefits with 30, 31 or 32 or more years of credited service.

The most recent actuarial valuation of the system (as of June 30, 2001) determined there is an unfunded actuarial obligation for this program. The prior actuarial valuation (as of June 30, 2000) indicated there was no unfunded actuarial obligation.

With the exception of the actuarial valuations performed as of June 30, 1998, and June 30, 2000, actuarial valuations are performed every two years in odd-numbered years to analyze the sufficiency of the statutory contributions to meet the current and future obligations of the program. By using the actuarial methods and assumptions adopted by the Teachers' Retirement Board, the actuarial valuation provides the best estimate of the program's long-term financing.

Comparing the unfunded actuarial obligation as of two valuation dates does not provide enough information to

determine if there were actuarial gains or losses. The correct comparison is between the unfunded actuarial obligation on the valuation date and the expected unfunded actuarial obligation projected from the prior valuation date using the actuarial assumptions in effect for the period of comparison.

Table 15 shows the actuarial obligation and the elements to project that figure forward: the normal cost less benefit payments, plus a charge for interest at the assumed rate. In addition, the table shows actuarial gains, in parentheses, and losses by individual component.

Actuarial gains reduce the unfunded actuarial obligation as of the valuation date, and actuarial losses increase the unfunded actuarial obligation. Most actuarial gains and losses are a result of short-term fluctuations in experience or changes in actuarial assumptions. Because of the long-term nature of actuarial assumptions, future patterns of emerging experience may offset these short-term fluctuations.

INDEPENDENT ACTUARIAL REVIEW

Actuarial services for the California State Teachers' Retirement System are provided under contract by a qualified independent actuarial firm, with additional review provided by the staff actuary.

The work performed for CalSTRS by the independent actuarial firm may be reviewed by the Bureau of State Audits, at

the discretion of the Teachers' Retirement Board. Also, through the competitive bid process, the work of a prior actuary will be verified in a subsequent actuarial valuation performed by a new contract actuary. Should the same actuarial firm continue for a period of 10 years, provision is made for an independent review of that firm's work through an actuarial audit completed by another firm. These audit services are acquired using the competitive bid process.

The current actuarial consultant was retained on January 15, 2000, as a result of the competitive bid process.

SUMMARY OF DEFINED BENEFIT PROGRAM PROVISIONS

(The following summary and tables were prepared by the CalSTRS staff. All information is considered in the June 30, 2001, actuarial valuation.)

Normal Retirement

Eligibility Requirement

Age 60 with five years of credited service.

Allowance

2 percent of final compensation for each year of credited service.

Early Retirement

Eligibility Requirement

Age 55 with five years of credited service, or age 50 with 30 years of credited service.

Benefit Reduction

A $\frac{1}{2}$ percent reduction in the normal retirement allowance for each full month or partial month the member is younger than age 60, plus a reduction of $\frac{1}{4}$ percent for each full month or partial month the member is younger than age 55.

Late Retirement

Allowance

Members continue to earn additional service credit after age 60. The 2 percent age factor increases by 0.033 percent for each quarter year of age that the member is over age 60, up to a maximum of 2.4 percent.

Deferred Retirement

Allowance

Any time after satisfying the minimum service requirement, a member may cease active service, leave the accumulated contributions on deposit, and later retire upon attaining the minimum age requirement.

Allowance Factors

Credited Service

For each year of membership, credited service is granted based on the ratio of salary earned to full-time salary earnable for one position.

Final Compensation

Average salary earnable for the highest three consecutive years of credited service for one position. For members with 25 years of service, the calculation is based on the highest average compensation earnable in a consecutive 12-month period.

Sick Leave Service Credit

Credited service is granted for unused sick leave at the time of retirement. Sick Leave Service Credit cannot be used for eligibility for One-Year Final Compensation, the Career Bonus nor the Longevity Bonus.

Career Factor

If a member has thirty years of credited service, the age factor is increased by 0.2 percent. However, the maximum age factor is 2.4 percent.

Longevity Bonus

For members attaining 30 years of service by January 1, 2011, a longevity bonus of \$200 per month is added to the unmodified allowance. The bonus is increased to \$300 per month with 31 years of service, and \$400 per month with 32 or more years of service.

Post-Retirement Benefit Adjustment

Benefit Improvement Factor

2 percent simple increase on September 1 following the first anniversary of the effective date of the allowance, applied to all continuing allowances.

IRC Section 415

Benefits are subject to limits imposed under Internal Revenue Code Section 415. However, no limits are imposed in the valuation of the Defined Benefit Program in order to address the potential pay-as-you-go funding needs of the Teachers' Replacement Benefits Program Fund.

Disability Allowance – Coverage A

Eligibility Requirement

Member has five years of credited California service and has not attained age 60.

Allowance

50 percent of final compensation

or

5 percent of final compensation for each year of service credit if over age 45 with less than 10 years of service credit.

Children's Benefit

10 percent for each eligible dependent child, up to a maximum of 40 percent of final compensation. The increment for each eligible child continues until the child marries or attains age 22. The provision that, beginning in 2002, children not registered as full-time students will retain eligibility only up to age 18 was repealed.

Offsets

Allowance, including children's increment, is reduced by disability benefits payable under Social Security, Workers' Compensation and employer-paid income protection plan.

Disability Allowance – Coverage B

Eligibility Requirement

Member has five years of credited California service.

Allowance

50 percent of final compensation, regardless of age and service credit.

Children's Benefit

10 percent for each eligible child up to four children, for a maximum of 40 percent of final compensation. The increment for each child continues until the child attains age 21, regardless of student, marital or employment status.

Offsets

The member's allowance is reduced by disability benefits payable under Workers' Compensation.

Death Before Retirement – Coverage A

Eligibility Requirement

One or more years of service credit for active members or members receiving a disability allowance.

Lump-Sum Payment

The one-time death benefit recipient receives a \$6,010 lump-sum payment. If there are no surviving spouse or eligible children, the contributions and interest are paid to the designated beneficiary.

Allowance

The surviving spouse with eligible children will receive a family benefit of 40 percent of final compensation for as long as there is at least one eligible child. An additional 10 percent of final compensation is payable for each eligible child up to a maximum benefit of 90 percent.

If there is no surviving spouse, an allowance of 10 percent of final compensation is payable to eligible children up to a maximum benefit of 50 percent.

When there are no eligible children, the spouse may elect to receive one half of a 50 percent joint and survivor allowance projected to age 60 or take a lump-sum payment of the remaining contributions and interest.

Death Before Retirement – Coverage B

Eligibility

One or more years of service credit for active members.

Lump-Sum Payment

The one-time death benefit recipient receives a \$24,040 lump-sum payment. If there is no surviving spouse, the contributions and interest are paid to the designated beneficiary.

Allowance

A lump-sum payment of the contributions and interest.

or

One half of a 50 percent joint and survivor allowance, beginning on the member's 60th birthday or immediately with a reduction based on the member and spouse's age at the time the benefit begins.

If the surviving spouse elects a monthly allowance, each eligible child would receive 10 percent of the member's final compensation, with a maximum benefit of 50 percent.

Death After Retirement

Lump-Sum Payment

The one-time death benefit recipient receives a \$6,010 lump-sum payment.

Annuity Form

If the retired member had elected one of the joint and survivor options, the retirement allowance would be modified in accordance with the option selected.

If no option had been elected, payment of the unpaid contributions and interest, if any, remaining in the member's account will be made to the deceased member's estate.

Termination from CalSTRS

Refund

Refund of the member's contributions with interest as credited to the member's account to date of withdrawal. A refund terminates membership and all rights to future benefits from the system.

Re-entry After Refund

Former members who re-enter the system may redeposit all amounts previously refunded plus regular interest. The member must earn one year of credited service after re-entry before becoming eligible for system benefits.

Funding

Member Contribution

Eight percent of creditable compensation. Two percent of creditable compensation is directed to the Defined Benefit Supplement Program through December 31, 2010, while six percent of creditable compensation remains with the Defined Benefit Program.

Employers Contribution

Eight percent of the total creditable compensation on which member contributions are based. In addition, funding for the Teachers' Health Benefits Fund is directed as needed from the employer contributions on a pay-as-you-go basis.

plus

0.25 percent of the total creditable compensation on which members' contributions are based to pay costs for unused sick leave service credit.

State Contribution

The state pays 1.975 percent of the total creditable compensation of the immediately preceding calendar year upon which members' contributions are based, calculated annually on October 1 and paid in four equal quarterly payments. Used to fund certain benefit enhancements effective January 1, 1999.

plus

Up to 1.505 percent of the total creditable compensation of the immediately preceding calendar year upon which members' contributions are based, calculated annually on October 1 and paid in four equal quarterly payments. This contribution is made if there is an unfunded obligation or normal cost deficit for benefits in effect on July 1, 1990.

CHANGES IN DEFINED BENEFIT PROGRAM PROVISIONS

Since the last actuarial valuation, program amendments have been made that would affect the next actuarial valuation. The amendments described below were not considered for the June 30, 2001 actuarial valuation as they were effective after that date.

Effective January 1, 2002

Family Allowance

The education code requirement under Coverage A was repealed for a dependent child between the ages of 18 and 22.

Effective July 1, 2002

Creditable Service

The definition of creditable service was expanded to include activities that were previously considered non-creditable. No more than one full year of service credit is allowed during any school year, however, and the contributions for any service in excess of one year are deposited to the member and employer contribution accounts within the DBS Program.

Death Before Retirement – Coverage A**Lump-Sum Payment**

The one-time death benefit increased to \$6,163. If there are no surviving spouse or eligible children, the contributions and interest are paid to the one-time death benefit recipient.

Death Before Retirement – Coverage B**Lump-Sum Payment**

The one-time death benefit increased to \$24,652. If there is no surviving spouse, the contributions and interest are paid to the one-time death benefit recipient.

Death After Retirement**Lump-Sum Payment**

The one-time death benefit increased to \$6,163.

Defined Benefit Supplement Program

Actuary's Certification Letter

A MILLIMAN GLOBAL FIRM



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November 18, 2003

Teachers' Retirement Board
California State Teachers' Retirement System

Re: Valuation of the Defined Benefit Supplement Program

Dear Members of the Board:

We have performed an actuarial valuation of the Defined Benefit Supplement Program of the California State Teachers' Retirement System as of June 30, 2002. Our findings indicate the projected income stream from the contributions will be sufficient to pay the Normal Costs. However, the DBS Program had an Unfunded Actuarial Obligation of \$51,292,000 as of June 30, 2002, which will be amortized in the future by earnings in excess of the Minimum Interest Rate or supplemental employer contributions.

Actuarial valuations are performed as of June 30 of each year.

In preparing the 2002 valuation, we relied upon the financial and membership data furnished by the System. Although we did not audit this data, we compared the data for this and the prior valuation and tested for reasonableness. Based on these tests, we believe the data to be sufficiently accurate for the purposes of our calculations.

Milliman did not prepare Schedules I and II, nor the summary of actuarial methods and assumptions in Schedule II of the Financial Section, nor the information included in this Actuarial Section of the 2003 Comprehensive Annual Financial Report. However, the actuarial information contained in Schedule I of the Financial Section and in this Actuarial Section was derived from our June 30, 2002 actuarial valuation report.

The Teachers' Retirement Board has sole authority to determine the actuarial assumptions and methods used for the DBS Program. The Board adopted all of the actuarial methods and assumptions used in the 2002 valuation.

The findings have been determined according to actuarial assumptions and methods that were chosen on the basis of recent experience of the DBS Program and of current expectations concerning future economic conditions. In our opinion, the assumptions used in the actuarial valuation are appropriate for purposes of the valuation, are internally consistent, and reflect reasonable expectations. The assumptions represent our best estimate of future conditions affecting the DBS Program. Nevertheless, the emerging costs of the DBS Program will vary from those presented in this report to the extent that actual experience differs from that projected by the assumptions.

The actuarial valuation was prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable



Teachers' Retirement Board
November 18, 2003
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Standards of Practice adopted by the Actuarial Standards Board of the American Academy of Actuaries. In addition, the assumptions and methods used meet the parameters set for disclosures by Statement No. 25 of the Governmental Accounting Standards Board.

The undersigned is an independent actuary, a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, an Enrolled Actuary, and experienced in performing valuations for large public employee retirement systems.

In conclusion, the DBS Program of the California State Teachers' Retirement System is an actuarially sound system based on the current actuarial assumptions.

Respectfully submitted,

Mark C. Johnson, F.S.A., M.A.A.A., E.A.
Principal and Consulting Actuary

Defined Benefit Supplement Program

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

CalSTRS, through its consulting actuary, will perform an experience study at least every four years to determine appropriate demographic and economic assumptions. These assumptions are then applied every year when the consulting actuary performs an actuarial valuation to monitor the funding status of the Defined Benefit Supplement Program. The first actuarial valuation was completed June 30, 2002, and adopted by the Teachers' Retirement Board June 5, 2003. The following summary and tables were prepared by CalSTRS staff. All information is considered in the June 30, 2002, actuarial valuation.

The Defined Benefit Supplement Program was established January 1, 2001 and, therefore, has not yet existed for a sufficient period of time to allow completion of the first experience study. The economic and demographic assumptions were based on those adopted for the Defined Benefit Program by the Board on February 3, 2000, and used to complete the latest actuarial valuation. Both the Defined Benefit Program and Defined Benefit Supplement Program share the same population, so it is reasonable to use most of the same assumptions for both programs. Following are the assumptions adopted by the Teachers' Retirement Board for this program.

- Investment return rate is 8.00 percent
- Method used to value plan assets for actuarial valuation purposes: Fair market value.
- Assumption for general wage increase is 4.25 percent, of which 3.5 percent is due to inflation and .75 percent is due to expected gains in productivity.
- The actuarial cost method used by the program is the traditional unit cost credit method.
- The Defined Benefit Supplement Program does not provide cost-of-living adjustments for benefit recipients.

Discussion of recent changes in:

The nature of the program—The Defined Benefit Supplement Program is a relatively new program, established January 1, 2001. All provisions of the program were considered when completing the most recent actuarial valuation.

Actuarial Assumptions—The following assumptions were used to complete the valuation for this program.

Neither the economic nor the demographic assumptions for the actuarial valuation as of June 30, 2002, affected the unfunded actuarial obligation. Those assumptions for this program will have minimal impact under the traditional unit credit cost method or only have significance when participants elect to annuitize the account balance. Under the program, a member must have at least \$3,500 in his or her account to elect to annuitize the account balance.

Table 1 Post-retirement mortality table for sample ages

Age	Male	Female
	1999 CalSTRS Retired-M	1999 CalSTRS Retired-F
50	0.19%	0.12%
55	0.32	0.19
60	0.56	0.34
65	1.02	0.67
70	1.80	1.18
75	2.85	1.83
80	5.02	3.78
85	9.42	6.50
90	14.75	11.63
95	23.36	18.62

Table 2 Probabilities of retirement for sample ages

Age	Male	Female
55	5.0%	6.0%
60	20.0	12.0
65	20.0	19.0
70	100.0	100.0

ACTUARIAL METHODS

Actuarial Cost Method	Traditional Unit Credit
Asset Valuation Method	Fair Market Value

The actuarial methods used for the program's actuarial valuation as of June 30, 2002, result in an unfunded actuarial obligation of \$51,292,000.

CalSTRS contracts for many actuarial services. The current contractor, Milliman USA, has been CalSTRS' actuary since January 15, 2000.

There are no other specific assumptions that have a material impact on valuation results for this program.

INDEPENDENT ACTUARIAL REVIEW

Actuarial services for the California State Teachers' Retirement System are provided under contract by a qualified independent actuarial firm, with additional review provided by the staff actuary.

The work performed for CalSTRS by the independent actuarial firm may be reviewed by the Bureau of State Audits at the discretion of the Teachers' Retirement Board. Also, through the competitive bid process, the work of a prior actuary will be

Table 3 Probabilities of withdrawal from active service before age and service retirement for sample ages

Duration	Entry Ages				
	Under 25	25-29	30-34	35-39	40+
Male					
1	12.5%	12.5%	12.5%	12.5%	12.5%
2	9.5	9.5	9.2	9.2	9.5
3	7.7	6.8	6.8	6.8	7.2
4	5.8	5.8	5.8	5.8	6.2
5	5.0	4.2	4.2	4.2	4.2
10	2.0	2.0	2.0	2.0	2.4
15	1.1	1.1	1.1	1.2	
20	0.6	0.6	0.6		
25	0.5	0.5			
30	0.3				
35	0.3				
40	0.3				
Female					
1	10.0%	10.0%	10.0%	10.0%	10.0%
2	8.3	8.3	8.3	7.5	6.8
3	7.7	7.3	6.5	5.5	5.3
4	7.1	7.1	5.6	4.5	4.0
5	5.5	5.8	4.2	3.5	3.0
10	2.3	2.0	1.7	1.4	1.6
15	1.1	0.9	1.0	0.9	
20	0.6	0.7	0.9		
25	0.6	0.6			
30	0.3				
35	0.3				
40	0.3				

verified in a subsequent actuarial valuation performed by a new contract actuary. Should the same actuarial firm continue for a period of 10 years, provision is made for an independent review of that firm’s work through an actuarial audit completed by another firm. These audit services are acquired using the competitive bid process.

The current actuarial consultant was retained on January 15, 2000, as a result of the competitive bid process.

Table 4 Assumption for pay increases due to promotions and longevity for sample ages (exclusive of the assumed general wage increase, which includes inflation)

Duration	Entry Ages					
	Under 25	25-29	30-34	35-39	40-44	45 +
1	5.7%	5.3%	5.1%	4.9%	4.9%	3.5 %
10	3.2	3.0	2.7	2.3	2.2	1.6
20	1.3	1.2	1.1	0.8	0.8	0.6
30	0.9	0.7	0.6	0.5		

Table 5 Economic assumptions

Consumer Price Inflation	3.5%
Investment Yield	8.00
Wage Inflation	4.25
Interest on Member Accounts	8.00

Table 6 Mortality assumptions

Retired Members	
Male	1999 CalSTRS Retired-M
Female	1999 CalSTRS Retired-F
Active Members	
Male	1999 CalSTRS Retired-M (-2)
Female	1999 CalSTRS Retired-F (-2)
Beneficiaries	
Male	1999 CalSTRS Beneficiary-M
Female	1999 CalSTRS Beneficiary-F

Table 7 Termination from disability due to death

Male	1994 GAM-M (Min. 2.5% with select rates in first 3 years)
Female	1994 GAM-F (Min. 2.2% with select rates in first 3 years)

Table 8 Service retirement (sample ages)

Male	
55	5.0%
60	20.0
65	20.0
70	100.0
Female	
55	6.0%
60	12.0
65	19.0
70	100.0

Table 9 Disability rates (samples ages)

		Entry Age Under 40	Entry Age 40+
Male	25	0.021%	
	30	0.030	
	35	0.051	
	40	0.120	
	45	0.150	0.196%
	50	0.195	0.288
Female	55	0.270	0.390
	25	0.030%	
	30	0.030	
	35	0.051	
	40	0.090	
	45	0.141	0.231%
	50	0.231	0.360
	55	0.318	0.459

Table 10 Withdrawal, all terminations

Rates of termination by sample duration of membership and sample entry age

Duration	Sample Entry Ages				
	Under 25	25-29	30-34	35-39	40+
Male					
1	12.5%	12.5%	12.5%	12.5%	12.5%
2	9.5	9.5	9.2	9.2	9.5
3	7.7	6.8	6.8	6.8	7.2
4	5.8	5.8	5.8	5.8	6.2
5	5.0	4.2	4.2	4.2	4.2
10	2.0	2.0	2.0	2.0	2.4
15	1.1	1.1	1.1	1.2	
20	0.6	0.6	0.6		
25	0.5	0.5			
Female					
1	10.0%	10.0%	10.0%	10.0%	10.0%
2	8.3	8.3	8.3	7.5	6.8
3	7.7	7.3	6.5	5.5	5.3
4	7.1	7.1	5.6	4.5	4.0
5	5.5	5.8	4.2	3.5	3.0
10	2.3	2.0	1.7	1.4	1.6
15	1.1	0.9	1.0	0.9	
20	0.6	0.7	0.9		
25	0.6	0.6			

Table 11 Promotional salary increases (assumption for salaries due to promotions and longevity, exclusive of the assumed general wage increase)

Duration	Entry Ages					
	Under 25	25-29	30-34	35-39	40-44	45+
1	5.7%	5.3%	5.1%	4.9%	4.9%	3.5%
10	3.2	3.0	2.7	2.3	2.2	1.6
20	1.3	1.2	1.1	0.8	0.8	0.6
30	0.9	0.7	0.6	0.5		

Table 12 Schedule of active member valuation data

Date (as of June 30)	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
2001	428,741*	\$20,494,152	\$47,801	na
2002	442,208	21,731,775	49,144	2.810%

*The Defined Benefit Supplement Program was established January 1, 2001. The first actuarial valuation was conducted for the program as of June 30, 2002; however an actuarial study was performed as of June 30, 2001.

Table 13 Schedule of retired members and beneficiaries added to and removed from rolls

Date (as of June 30)	Added to Rolls*		Removed from Rolls		Rolls-End of Year		% Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
2001	0	\$0	0	\$0	0	\$0	0%	\$0
2002	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0

* The Defined Benefit Supplement Program was established January 1, 2001. As of June 30, 2003 all members who have retired or become disabled have elected a lump-sum distribution. No annuities have been paid.

SUMMARY OF DEFINED BENEFIT SUPPLEMENT PROGRAM PROVISIONS

(The following tables and summary were prepared by CalSTRS staff. All information is considered in the June 30, 2002, actuarial valuation.)

Membership

Eligibility Requirement

All members of the Defined Benefit Program who perform creditable service and earn creditable compensation after December 31, 2000, have a Defined Benefit Supplement account.

Member

An eligible employee with creditable service subject to coverage, who has contributions credited in the Program or is receiving an annuity from the Program.

Account Balance

Account Balance

Nominal accounts are established for the purpose of determining DBS benefits payable to the member. Accounts are credited with contributions, interest at the minimum interest rate, and, if applicable, additional earnings credits.

Contributions

One-quarter of the 8 percent of member contributions on creditable compensation is allocated to the member's DBS account through December 31, 2010.

Minimum Interest Rate

Annual rate determined for the plan year by the Teachers' Retirement Board in accordance with federal laws and regulations. The minimum interest rate is equal to the average of the yields on 30-year Treasuries for the twelve months ending in February preceding the beginning of the plan year, rounded to the next highest 0.25 percent. The minimum interest rate is not less than the rate at which interest is credited under the Defined Benefit Program.

Additional Earnings Credit

Annual rate determined for the plan year by the Teachers' Retirement Board based on the actual earnings during the plan year but only to the extent the earnings are sufficient to credit the minimum interest rate and provide any additions to the gain and loss reserve deemed warranted by the board.

Table 14 Solvency Test

Valuation Date (as of June 30)	Aggregate Accrued Liabilities for			Actuarial Value of Assets	Funding of Liabilities		
	(1) Active Member Contributions on Deposit	(2) Future Benefits to Benefit Recipients	(3) Service Already Rendered by Active Members		(1)	(2)	(3)
2001*	\$213,169	\$0	\$0	\$206,916	97.0%	na	na
2002	711,440	0	0	660,148	93.0	na	na

*The Defined Benefit Supplement Program was established January 1, 2001. The first actuarial valuation was conducted for the program as of June 30, 2002; however an actuarial study was performed as of June 30, 2001.

Table 15 Analysis of financial experience

	Actuarial Valuation as of June 30	
	2002	2001
Actuarial Accrued Liability	\$711,440,000	\$213,169,000
Actuarial Value of Assets	660,148,000	206,916,000
Unfunded Actuarial Accrued Liability (UAAL)	51,292,000	6,253,000
Funded Ratio	93%	97%

Additional Annuity Credit

Annual rate determined for the plan year by the Teachers' Retirement Board based on the actual earnings during the plan year, but only to the extent the earnings are sufficient to credit the minimum interest rate and provide any additions to the gain and loss reserve deemed warranted by the Board.

Normal Retirement**Eligibility Requirement**

Receipt of a corresponding benefit under the Defined Benefit Program.

Benefit

The account balance at the benefit effective date subject to limits imposed under Internal Revenue Code Section 415.

Form of Payment

The normal form of payment is a lump-sum distribution. Annuity options are available if the account balance is at least \$3,500.

Early Retirement**Eligibility Requirement**

Same as Normal Retirement.

Benefit and Form of Payment

Same as Normal Retirement.

Late Retirement**Benefit and Form of Payment**

Same as Normal Retirement.

Contributions and earnings may continue to be credited to the account balance.

Deferred Retirement**Benefit**

A member must receive a DBS benefit when the corresponding benefit is received under the Defined Benefit Program.

Disability Benefit**Eligibility Requirement**

Receipt of a corresponding benefit under the DB Program.

Benefit

The account balance at the date the disability benefit becomes payable.

Form of Payment

Same as Normal Retirement. An annuity benefit is discontinued upon termination of the corresponding DB Program benefit.

Death Before Retirement**Eligibility Requirement**

Deceased member has an account balance.

Benefit

The account balance at the date of death payable to the designated beneficiary.

Form of Payment

Similar to Normal Retirement.

Death After Retirement**Eligibility Requirement**

The deceased member was receiving an annuity.

Benefit

According to the terms of the annuity elected by the member.

Termination from the Program**Eligibility Requirement**

Termination of all CalSTRS-covered employment.

Benefit and Form of Payment

Lump-sum distribution of the account balance as of the date of distribution. The benefit is payable one year from the termination of creditable service.

CHANGES IN DEFINED BENEFIT SUPPLEMENT PROGRAM PROVISIONS

Since the last actuarial valuation, program amendments have been made that would affect the next actuarial valuation. The amendments described below were not considered for the June 30, 2002 actuarial valuation as they were effective after that date.

Effective July 1, 2002**Creditable Service**

The definition of creditable service was expanded to include activities that were previously considered non-creditable. No more than one full year of service credit is allowed in the DB Program during any school year, however, and the contributions for any service in excess of one year are deposited to the member and employer contribution accounts within the DBS Program.

Cash Balance Benefit Program

Actuary's Certification Letter

A MILLIMAN GLOBAL FIRM



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November 18, 2003

Teachers' Retirement Board
California State Teachers' Retirement System

Re: Valuation of the Cash Balance Benefit Program

Dear Members of the Board:

We have performed an actuarial valuation of the Cash Balance Benefit Program of the California State Teachers' Retirement System as of June 30, 2002. Our findings indicate the projected income stream from the contributions will be sufficient to pay the Normal Costs. However, the CBB Program had an Unfunded Actuarial Obligation of \$3,332,000 as of June 30, 2002, which will be amortized in the future by earnings in excess of the Minimum Interest Rate or supplemental employer contributions.

Actuarial valuations are performed as of June 30 of each year.

In preparing the 2002 valuation, we relied upon the financial and membership data furnished by the System. Although we did not audit this data, we compared the data for this and the prior valuation and tested for reasonableness. Based on these tests, we believe the data to be sufficiently accurate for the purposes of our calculations.

Milliman did not prepare Schedules I and II, nor the summary of actuarial methods and assumptions in Schedule II of the Financial Section, nor the information included in this Actuarial Section of the 2003 Comprehensive Annual Financial Report. However, the actuarial information contained in Schedule I of the Financial Section and in this Actuarial Section was derived from our June 30, 2002 actuarial valuation report.

The Teachers' Retirement Board has sole authority to determine the actuarial assumptions and methods used for the CBB Program. The Board adopted all of the actuarial methods and assumptions used in the 2002 valuation.

The findings have been determined according to actuarial assumptions and methods that were chosen on the basis of recent experience of the CBB Program and of current expectations concerning future economic conditions. In our opinion, the assumptions used in the actuarial valuation are appropriate for purposes of the valuation, are internally consistent, and reflect reasonable expectations. The assumptions represent our best estimate of future conditions affecting the CBB Program. Nevertheless, the emerging costs of the CBB Program will vary from those presented in this report to the extent that actual experience differs from that projected by the assumptions.

The actuarial valuation was prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable



Teachers' Retirement Board
November 18, 2003
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Standards of Practice adopted by the Actuarial Standards Board of the American Academy of Actuaries. In addition, the assumptions and methods used meet the parameters set for disclosures by Statement No. 25 of the Governmental Accounting Standards Board.

The undersigned is an independent actuary, a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, an Enrolled Actuary, and experienced in performing valuations for large public employee retirement systems.

In conclusion, the CBB Program of the California State Teachers' Retirement System is an actuarially sound system based on the current actuarial assumptions.

Respectfully submitted,

Mark C. Johnson, F.S.A., M.A.A.A., E.A.
Principal and Consulting Actuary

Cash Balance Benefit Program

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

CalSTRS, through its consulting actuary, will perform an experience study at least every four years to determine appropriate demographic and economic assumptions. These assumptions are then applied every year when the consulting actuary performs an actuarial valuation to monitor the funding status of the Cash Balance Benefit Program. The most recent actuarial valuation was completed as of June 30, 2002, and adopted by the Teachers' Retirement Board June 5, 2003. The following summary and tables were prepared by CalSTRS staff. All information is considered in the June 30, 2002, actuarial valuation.

The Cash Balance Benefit Program was established July 1, 1996. The first experience study of the program was completed January 21, 2000. The experience study was adopted by the Teachers' Retirement Board on February 3, 2000, and used to complete the latest actuarial valuation. Following are the assumptions adopted by the Teachers' Retirement Board for this program.

- Investment return rate is 8.00 percent.
- Method used to value plan assets for actuarial valuation purposes: Fair market value.
- Assumption for general wage increase is 4.25 percent, of which 3.5 percent is due to inflation and .75 percent is due to expected gains in productivity.
- The actuarial cost method used by the program is the traditional unit credit cost method.
- The Cash Balance Benefit Program does not provide cost-of-living adjustments for benefit recipients.

Table 1 Post-retirement mortality table for sample ages

Age	Male		Female	
	1999 CalSTRS Retired-M	1999 CalSTRS Retired-F	1999 CalSTRS Retired-M	1999 CalSTRS Retired-F
50	0.19%		0.12%	
55	0.32		0.19	
60	0.56		0.34	
65	1.02		0.67	
70	1.80		1.18	
75	2.85		1.83	
80	5.02		3.78	
85	9.42		6.50	
90	14.75		11.63	
95	23.36		18.62	

Table 2 Probabilities of retirement for sample ages

Age	Male	Female
55	5.0%	6.0%
60	20.0	12.0
65	20.0	19.0
70	100.0	100.0

Table 3 Probabilities of withdrawal from active service before age and service retirement for sample ages

Duration	Entry Ages				
	Under 25	25-29	30-34	35-39	40+
Males					
1	12.5%	12.5%	12.5%	12.5%	12.5%
2	9.5	9.5	9.2	9.2	9.5
3	7.7	6.8	6.8	6.8	7.2
4	5.8	5.8	5.8	5.8	6.2
5	5.0	4.2	4.2	4.2	4.2
10	2.0	2.0	2.0	2.0	2.4
15	1.1	1.1	1.1	1.2	
20	0.6	0.6	0.6		
25	0.5	0.5			
30	0.3				
35	0.3				
40	0.3				
Females					
1	10.0%	10.0%	10.0%	10.0%	10.0%
2	8.3	8.3	8.3	7.5	6.8
3	7.7	7.3	6.5	5.5	5.3
4	7.1	7.1	5.6	4.5	4.0
5	5.5	5.8	4.2	3.5	3.0
10	2.3	2.0	1.7	1.4	1.6
15	1.1	0.9	1.0	0.9	
20	0.6	0.7	0.9		
25	0.6	0.6			
30	0.3				
35	0.3				
40	0.3				

Discussion of recent changes in:

The nature of the program—The Cash Balance Benefit Program is a relatively new program, established July 1, 1996. All provisions of the program were considered when completing the most recent actuarial valuation.

Actuarial assumptions—The following assumptions were used to complete the valuation for this program.

Neither the economic nor the demographic assumptions for the actuarial valuation as of June 30, 2002, affected the unfunded actuarial obligation. Those assumptions for this program will have minimal impact under the traditional unit credit cost method or only have significance when participants elect to annuitize the account balance. Under the program, a participant must have at least \$3,500 in his or her account to elect to annuitize the account balance.

ACTUARIAL METHODS

Actuarial Cost Method	Traditional Unit Credit
Asset Valuation Method	Fair Market Value

The actuarial methods used for the program’s actuarial valuation as of June 30, 2002, result in an unfunded actuarial obligation of \$3,332,000.

CalSTRS contracts for many actuarial services. The current contractor, Milliman USA, has been CalSTRS’ actuary since January 15, 2000.

There are no other specific assumptions that have a material impact on valuation results for this program.

INDEPENDENT ACTUARIAL REVIEW

Actuarial services for the California State Teachers’ Retirement System are provided under contract by a qualified independent actuarial firm, with additional review provided by the staff actuary.

The work performed for CalSTRS by the independent actuarial firm may be reviewed by the Bureau of State Audits at the discretion of the Teachers’ Retirement Board. Also, through the competitive bid process, the work of a prior actuary will be verified in a subsequent actuarial valuation performed by a new contract actuary. Should the same actuarial firm continue for a period of 10 years, provision is made for an independent review of that firm’s work through an actuarial audit completed by another firm. These audit services are acquired using the competitive bid process.

The current actuarial consultant was retained on January 15, 2000, as a result of the competitive bid process.

Table 4 Assumption for pay increases due to promotions and longevity for sample ages (exclusive of the assumed general wage increase, which includes inflation)

Duration	Entry Ages					
	Under 25	25-29	30-34	35-39	40-44	45 +
1	5.7%	5.3%	5.1%	4.9%	4.9%	3.5%
2	5.6	5.2	4.9	4.7	4.7	3.3
3	5.6	5.0	4.8	4.6	4.6	3.0
4	5.5	4.9	4.6	4.4	4.4	2.9
5	5.5	4.8	4.5	3.8	3.8	2.6
10	3.2	3.0	2.7	2.3	2.2	1.6
15	1.5	1.5	1.4	1.1	1.1	0.8
20	1.3	1.2	1.1	0.8	0.8	0.6
25	1.1	1.0	0.9	0.6	0.6	
30	0.9	0.7	0.6	0.5		
35	0.8	0.7	0.6			
40	0.8	0.7				
45	0.8					

Table 5 Economic assumptions

Consumer Price Inflation	3.5%
Investment Yield	8.00
Wage Inflation	4.25
Interest on Member Accounts	8.00

Table 6 Mortality assumptions

Retired Members	
Male	1999 CalSTRS Retired-M
Female	1999 CalSTRS Retired-F
Active Members	
Male	1999 CalSTRS Retired-M (-2)
Female	1999 CalSTRS Retired-F (-2)
Beneficiaries	
Male	1999 CalSTRS Beneficiary-M
Female	1999 CalSTRS Beneficiary-F

Table 7 Termination from disability

Male	1994 GAM-M (Min. 2.5% with select rates in first 3 years)
Female	1994 GAM-F (Min. 2.2% with select rates in first 3 years)

Table 8 Service retirement (sample ages)

Male	
55	5.0%
60	20.0
65	20.0
70	100.0
Female	
55	6.0%
60	12.0
65	19.0
70	100.0

Table 9 Disability rates (sample ages)

	Entry Age Under 40	Entry Age 40+	
Male	25	0.021%	
	30	0.030	
	35	0.051	
	40	0.120	
	45	0.150	0.196%
	50	0.195	0.288
Female	25	0.030%	
	30	0.030	
	35	0.051	
	40	0.090	
	45	0.141	0.231%
	50	0.231	0.360
	55	0.318	0.459

Table 10 Withdrawal rates (rates of termination by sample durations of membership and sample entry ages.)

Duration	Sample Entry Ages				
	Under 25	25-29	30-34	35-39	40+
Male					
1	12.5%	12.5%	12.5%	12.5%	12.5%
2	9.5	9.5	9.2	9.2	9.5
3	7.7	6.8	6.8	6.8	7.2
4	5.8	5.8	5.8	5.8	6.2
5	5.0	4.2	4.2	4.2	4.2
10	2.0	2.0	2.0	2.0	2.4
15	1.1	1.1	1.1	1.2	
20	0.6	0.6	0.6		
25	0.5	0.5			
Female					
1	10.0%	10.0%	10.0%	10.0%	10.0%
2	8.3	8.3	8.3	7.5	6.8
3	7.7	7.3	6.5	5.5	5.3
4	7.1	7.1	5.6	4.5	4.0
5	5.5	5.8	4.2	3.5	3.0
10	2.3	2.0	1.7	1.4	1.6
15	1.1	0.9	1.0	0.9	
20	0.6	0.7	0.9		
25	0.6	0.6			

Table 11 Promotional salary increases (assumption for salaries due to promotions and longevity, exclusive of the assumed general wage increase)

Duration	Sample Entry Ages (Unisex)					
	Under 25	25-29	30-34	35-39	40-44	45+
1	5.7%	5.3%	5.1%	4.9%	4.9%	3.5%
10	3.2	3.0	2.7	2.3	2.2	1.6
20	1.3	1.2	1.1	0.8	0.8	0.6
30	0.9	0.7	0.6	0.5		

SUMMARY OF CASH BALANCE BENEFIT PROGRAM PROVISIONS

(The following tables and summary were prepared by CalSTRS staff. All information is considered in the June 30, 2002, actuarial valuation.)

Membership

Eligibility Requirement

Membership if employed at less than 50 percent of a full-time position for a California school district, community college district or county office of education that has elected to offer the Cash Balance Benefit Program.

Participant

An eligible employee with creditable service subject to coverage who has contributions credited in the program or is receiving an annuity from the program.

Account Balance

Account Balance

Nominal accounts established for the purpose of determining benefits payable to the participant. Accounts are credited with contributions, minimum interest rate and additional earnings credits.

Contributions

Generally, participant contributions are 4 percent of salary and employer contributions are 4 percent of salary.

Rules for contribution rates may differ for participants covered by a collective bargaining agreement, but the sum of the participant and employer contributions must equal or exceed 8 percent of salary, and in no event can the employer contribution rate be less than 4 percent of salary.

The Teachers' Retirement Board may adjust employer contributions for a fixed number of years, but the adjustment shall not exceed 0.25 percent of salaries in any plan year.

Minimum Interest Rate

Annual rate determined for the plan year by the Teachers' Retirement Board in accordance with federal laws and regulations. The minimum interest rate is equal to the average of the yields on 30-year Treasuries for the twelve months ending in February preceding the beginning of the plan year, rounded to the next highest 0.25 percent.

Additional Earnings Credit

Annual rate determined for the plan year by the Teachers' Retirement Board based on the actual earnings during the plan year, but only to the extent the earnings are sufficient to credit the minimum interest rate and provide any additions to the gain and loss reserve deemed warranted by the board.

Table 12 Schedule of active participant valuation data

Date (as of June 30)	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
1998	3,505*	\$18,832,000	\$5,375	26.1%
1999	6,412*	50,426,000	7,864	46.3
2000	7,966	70,605,000	8,863	12.7
2001	11,274	97,921,000	8,686	(2.0)
2002	9,261	89,871,000	9,704	11.7

*Active participants with account balances

Table 13 Schedule of retired participants and beneficiaries added to and removed from rolls

Date (as of June 30)	Added to Rolls		Removed from Rolls		Rolls-End of Year		% Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
1998	0	\$0	0	\$0	0	\$0	na	na
1999	0	0	0	0	0	0	na	na
2000	0	0	0	0	0	0	na	na
2001	0	0	0	0	0	0	na	na
2002	0	0	0	0	0	0	na	na

Table 14 Solvency test

Aggregate Accrued Liabilities For							
Valuation Date (as of June 30)	(1)	(2)	(3)	Actuarial Value of Assets	Funding of Liabilities		
	Active Member Contributions On Deposit	Future Benefits to Benefit Recipients	Service Already Rendered by Active Members		(1)	(2)	(3)
1997	\$164,078	\$0	\$0	\$(393,000)	-239.5%	na	na
1998	1,727,705	0	0	2,083,000	120.6	na	na
1999	5,000,613	0	0	5,224,000	104.4	na	na
2000	10,350,720	0	0	10,868,000	104.9	na	na
2001	16,938,474	0	0	15,768,000	93.0	na	na
2002	25,080,056	0	0	21,748,000	87.0	na	na

Table 15 Analysis of financial experience

	Actuarial Valuation as of June 30	
	2002	2001
Actuarial Accrued Liability	\$25,080,056	\$16,938,474
Actuarial Value of Assets	\$21,748,000	\$15,768,000
Unfunded Actuarial Accrued Liability (UAAL)	\$3,332,000	\$1,170,000
Funded Ratio	87%	93%

Additional Annuity Credit

Annual rate determined for the plan year by the Teachers' Retirement Board based on the actual earnings during the plan year, but only to the extent the earnings are sufficient to credit the Minimum Interest Rate and provide any additions to the Gain and Loss Reserve deemed warranted by the Board.

Normal Retirement

Eligibility Requirement

Age 60.

Benefit

The account balance at the retirement date subject to limits imposed under Internal Revenue Code Section 415.

Form of Payment

The normal form of payment is a lump-sum distribution. Annuity options are available if the sum of the employer and employee accounts equal or exceed \$3,500.

Early Retirement

Eligibility Requirement

Age 55.

Benefit and Form of Payment

Same as Normal Retirement.

Late Retirement

Benefit and Form of Payment

Same as Normal Retirement. Contributions and interest continue to be credited to the account balances until distributed.

Deferred Retirement

Benefit

A participant may cease active service, leave the accumulated account balance on deposit and later retire upon attaining the minimum age requirement.

Disability Benefit

Eligibility Requirement

Determination by the Teachers' Retirement Board that the participant has a total and permanent disability.

Benefit

The account balance at the date of disability. An annuity benefit is discontinued if the participant is re-employed before age 60 and performs service creditable under the program.

Form of Payment

Same as Normal Retirement.

Death Before Retirement**Eligibility Requirement**

Deceased participant has an account balance.

Benefit

The account balance at the date of death payable to the designated beneficiary.

Form of Payment

Normal distribution is a lump-sum benefit. A participant's beneficiary may elect to receive the benefit in the form of either a single life annuity without a cash refund feature or a period-certain annuity if the sum of the balance of credits to the participant's employee and employer accounts equals or exceeds \$3,500.

Death After Retirement**Eligibility Requirement**

The deceased participant was receiving an annuity.

Benefit

According to the terms of the annuity elected by the participant.

Termination from the Program**Eligibility Requirement**

More than five years has elapsed since the most recent termination benefit, if any, has been paid.

Benefit and Form of Payment

Lump-sum distribution of the account balance as of the date of distribution. The benefit is payable one year from the termination of creditable service.

CHANGES IN CASH BALANCE BENEFIT PROGRAM PROVISIONS

There have been no program amendments that would affect an actuarial valuation of the Cash Balance Benefit Program since the last CalSTRS annual financial report was issued. All program provisions were considered in the completion of the June 30, 2002, actuarial valuation.

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Defined Benefit Program

Note: Supplemental statistical tables are available upon request to CalSTRS Customer Service at 1-800-228-5453.

Table 1 Schedule of revenues by source (dollars in millions) ⁽¹⁾

Fiscal Year Ended June 30	Member Contributions	Employer Contributions	Percentage of Annual Covered Payroll	Investment Income	State of California ⁽²⁾	Other Income	Total
2003	\$2,090.5	\$1,964.5	8.25%	\$3,686.8	\$1,015.0	\$(.10)	\$8,756.7
2002	1,872.6	1,725.0	8.25	(\$6,386.9)	\$915.8	\$0.73	(\$1,872.8)
2001	1,843.5	1,884.0	8.25	(10,232.0)	946.2	0.40	(5,558.0)
2000	1,532.4	1,590.8	8.25	12,690.6	939.2	0.20	16,753.2
1999 ⁽³⁾	1,424.1	1,475.7	8.25	11,797.8	350.1	1.30 ⁽⁴⁾	15,049.0
1998	1,302.8	1,371.4	8.25	12,949.5	1,004.6	0.70	16,629.0
1997	1,195.8	1,250.0	8.25	11,018.8	872.4	0.70	14,337.7

(1) Includes Defined Benefit Program and Defined Benefit Supplement Program.

(2) Includes Elder Full Funding, SBMA contributions and school lands revenue.

(3) Includes member/participant contributions and investment income received during 1/1/99 to 6/30/99 for Cash Balance Benefit Program.

(4) Equity transfer from CB Plan recorded at fund closure \$1,285,093.

Table 2 Expenses by type (dollars in millions) ⁽¹⁾

Fiscal Year Ended June 30	Benefit Payments	Administrative Expenses	Refunds	Misc. ⁽²⁾	Total
2003	\$4,950.1	\$72.7	\$79.2	0.0	\$5,102.0
2002	4,501.0	64.0	74.0	0.0	4,639.0
2001	3,954.0	54.5	77.5	0.0	4,086.0
2000	3,625.7	50.5	80.0	0.0	3,756.2
1999 ⁽³⁾	3,343.1	45.0	74.6	0.0	3,462.7
1998	3,103.2	36.3	69.0	0.0	3,208.5
1997	2,912.3	37.1	65.9	0.0	3,015.3

(1) Includes Defined Benefit Program and Defined Benefit Supplement Program.

(2) Payments made by the system to a district maintaining a local retirement system equal to the pension (public) portion of allowance paid by the local system during the previous year.

(3) Includes administrative expenses paid from 1/1/99 to 6/30/99 for Cash Balance Benefit Program. These were adjusted in the subsequent year.

Table 3 Schedule of benefit expenses by type (dollars in millions)

Fiscal Year Ended June 30	Age & Service Benefits			Disability Benefits		Refunds		Total
	Retired Members	Survivors	Death in Service Benefits ⁽¹⁾	Retired Members	Survivors ⁽²⁾	Death	Separation	
2003	\$4,534.0	\$247.6	\$78.1	\$106.0	\$0.0	\$0.5	\$63.4	\$5,029.6
2002	4,108.8	225.2	39.3	97.3	5.2	30.4	69.0	4,575.2
2001	3,785.3	36.7	21.0	88.4	1.0	21.6	77.0	4,031.0
2000	3,459.6	33.7	26.8	79.0	1.1	26.4	80.0	3,706.6
1999	3,180.5	31.8	32.8	73.2	1.2	23.6	74.6	3,417.7
1998	2,953.7	30.3	29.6	66.5	1.0	22.1	69.0	3,172.2
1997	2,770.0	28.9	32.2	59.4	0.8	21.3	65.9	2,978.5
1996	2,616.4	26.2	31.4	53.0	0.6	22.1	69.2	2,818.9
1995	2,449.6	24.1	27.0	45.9	0.4	20.4	66.6	2,634.0
1994	2,283.9	23.0	24.2	39.7	0.2	19.8	61.4	2,452.2
1993	2,096.2	21.3	13.0	34.1	0.1	16.8	68.3	2,249.8
1992	1,732.2	19.8	13.5	30.7	0.0	13.5	56.6	1,866.3
1991	1,537.8	18.1	10.7	29.4	0.0	11.8	51.7	1,659.5

(1) Lump-sum death benefit payment was increased from \$2,000 to \$5,000 and implemented in the 1993–94 fiscal year.

(2) Amounts paid for disability benefits to survivors was included with amounts paid to disability retirees until 10/16/92, when CalSTRS' law changed disability qualifications and how benefits were paid. After that date, new benefits to survivors are recorded and tracked as a separate benefit type.

Table 4 Members retired for service during fiscal year 2002–03 classified by unmodified allowance ⁽¹⁾

Monthly Unmodified Allowance	Count	Average Age at Retirement	Average Service Credit	Average Final Compensation	Average Allowance Payable
Less than \$500	497	61.3	6.568	\$2,824	\$293
500 - 1000	645	60.5	10.662	3,957	707
1000 - 1500	652	59.5	15.673	4,615	1,201
1500 - 2000	694	60.5	18.327	5,136	1,678
2000 - 2500	746	61.3	21.504	5,354	2,153
2500 - 3000	810	60.6	25.139	5,606	2,682
3000 - 3500	866	60.0	28.750	5,800	3,264
3500 - 4000	1,083	60.1	31.021	5,933	3,784
4000 - 4500	1,235	60.9	32.901	6,043	4,336
4500 - 5000	1,167	61.6	34.213	6,255	4,820
5000 - 6000	1,746	62.3	36.171	6,568	5,447
6000 & Greater	1,048	63.3	38.722	7,853	6,865
Total	11,189	61.2 ⁽²⁾	27.909 ⁽²⁾	\$5,807 ⁽²⁾	\$3,659 ⁽²⁾

(1) Does not include formerly disabled members

(2) Overall averages

Table 5 Members retired for service during fiscal year 2002-03⁽¹⁾ classified by age and joint and survivor annuity option elected ⁽²⁾

Age	Total	Unmodified	Options						
			2	3	4	5	6	7	8
Under 55	34	16	3	1	0	0	9	5	0
55	324	192	23	4	0	1	62	40	2
56	801	411	58	16	0	3	176	131	6
57	700	315	56	16	2	3	157	144	7
58	731	338	39	18	3	3	163	165	2
59	836	370	68	21	4	6	205	159	3
60	1,285	566	100	29	4	4	311	264	7
61	1,406	637	105	38	4	6	332	270	14
62	1,430	648	103	31	13	8	346	266	15
63	947	453	72	29	5	2	223	157	6
64	651	328	42	15	0	5	145	111	5
65	476	246	28	14	4	2	90	81	11
66	404	215	22	11	2	0	88	63	3
67	277	149	21	3	2	0	57	42	3
68	214	110	15	6	0	0	49	30	4
69	151	83	14	3	0	0	22	25	4
70	149	90	14	0	0	1	25	18	1
71	106	62	6	1	3	0	14	15	5
72	73	36	4	3	0	1	16	10	3
73	57	36	4	1	1	0	9	6	0
74	30	17	3	0	1	0	4	5	0
75	19	12	2	0	0	0	3	2	0
Over 75	88	59	11	3	0	1	6	5	3
Age Unknown	0	0	0	0	0	0	0	0	0
Total	11,189	5,389	813	263	48	46	2,512	2,014	104

(1) Does not include formerly disabled members
 (2) See Plan Summary for description of Joint and Survivor Options

Table 6 Characteristics of members going on disability

Fiscal Year Ended June 30	Count	Disability Allowance Payable	Service Credit	Final Compensation	Age at Disability
1994	468	\$1,824	15.977	\$3,676	51.4
1995	469	1,851	15.914	3,656	51.3
1996	496	1,859	15.952	3,641	51.9
1997	464	1,923	15.660	3,883	52.0
1998	451	1,989	14.446	3,906	52.3
1999	414	2,114	15.630	4,027	52.2
2000	454	2,124	15.224	4,190	52.6
2001	486	2,270	15.802	4,476	53.9
2002	554	2,272	14,840	4,580	53.6
2003	614	2,385	14,894	4,849	53.0

Table 7 Number of benefit recipients by type of benefit

Fiscal Year Ended June 30	Service Retirement	Disability Benefits	Benefits for Survivors	Total Benefit Recipients
1994	126,476	5,126	10,271	141,873
1995	130,576	5,331	10,898	146,805
1996	133,764	5,540	11,501	150,805
1997	135,809	5,676	12,154	153,639
1998	139,193	5,758	12,796	157,747
1999	142,309	5,822	13,326	161,457
2000	145,415	5,885	13,982	165,282
2001	149,727	6,477	14,768	170,972
2002	154,884	6,723 ⁽¹⁾	15,465 ⁽¹⁾	177,072 ⁽¹⁾
2003	159,172	6,949	15,747	181,868

(1) Disability and survivor accounts revised in 2003.

Table 8 Members retired for service characteristics by year of retirement (Does not include formerly disabled members)

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Unmodified Monthly Benefit	Average Final Compensation	Average Age At Retirement
7/1/93 thru 6/30/94	7,152	27.0	\$2,187	\$4,043	60.9
7/1/94 thru 6/30/95	7,140	26.5	1,984	4,030	61.1
7/1/95 thru 6/30/96	6,985	26.6	2,171	4,110	61.3
7/1/96 thru 6/30/97	6,011	26.6	\$2,210	\$4,206	60.9
7/1/97 thru 6/30/98	7,332	26.8	2,310	4,345	60.8
7/1/98 thru 6/30/99					
0 - 5	72	2.8	\$ 355	—	—
5 - 10	459	7.6	491	—	—
10 - 15	611	12.6	959	—	—
15 - 20	644	17.5	1,394	—	—
20 - 25	806	22.6	1,999	—	—
25 - 30	1,081	27.6	2,574	—	—
30 - 35	1,852	32.5	3,237	—	—
35 - 40	1,312	37.2	4,093	—	—
40 & over	411	42.6	5,147	—	—
Total	7,248	27.2	\$2,706	\$4,541	61.2
7/1/99 thru 6/30/2000					
0 - 5	92	2.2	\$ 279	—	—
5 - 10	519	7.6	504	—	—
10 - 15	658	12.5	994	—	—
15 - 20	694	17.6	1,512	—	—
20 - 25	900	22.5	2,099	—	—
25 - 30	960	27.4	2,733	—	—
30 - 35	1,968	32.5	3,487	—	—
35 - 40	1,382	37.1	4,495	—	—
40 & over	383	42.3	5,532	—	—
Total	7,556	26.8	\$2,872	\$4,688	61.3

Table 8 continued Members retired for service characteristics by year of retirement (Does not include formerly disabled members)

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Unmodified Monthly Benefit	Average Final Compensation	Average Age At Retirement
7/1/00 thru 6/30/2001					
0 - 5	86	2.3	\$ 226	—	—
5 - 10	505	7.3	513	—	—
10 - 15	661	12.6	1,066	—	—
15 - 20	707	17.4	1,594	—	—
20 - 25	821	22.4	2,162	—	—
25 - 30	988	27.3	3,073	—	—
30 - 35	2,446	32.6	3,911	—	—
35 - 40	2,041	37.2	4,963	—	—
40 & over	446	42.1	6,121	—	—
Total	8,701	28.1	\$3,373	\$5,312	61.2
7/1/01 thru 6/30/2002					
0 - 5	86	2.4	\$ 228	—	—
5 - 10	499	7.3	512	—	—
10 - 15	679	12.6	1,093	—	—
15 - 20	860	17.4	1,711	—	—
20 - 25	886	22.3	2,380	—	—
25 - 30	1,081	27.1	3,282	—	—
30 - 35	2,912	32.7	4,215	—	—
35 - 40	2,277	37.2	5,341	—	—
40 & over	482	42.1	6,511	—	—
Total	9,762	28.3	\$3,659	\$5,686	61.1
7/1/2002 thru 6/30/2003					
0 - 5	103	2.4	\$ 206	—	—
5 - 10	674	7.2	525	—	—
10 - 15	749	12.6	1,149	—	—
15 - 20	1,074	17.5	1,820	—	—
20 - 25	1,063	22.6	2,489	—	—
25 - 30	1,212	27.1	3,368	—	—
30 - 35	3,384	32.7	4,318	—	—
35 - 40	2,444	37.2	5,458	—	—
40 & over	486	42.3	6,716	—	—
Total	11,189	27.9	\$3,676	\$5,807	61.2

Defined Benefit Program

Participating Employers

Alameda County

K-12

County Superintendent
Alameda City Unified
Albany Unified
Berkeley Unified
Castro Valley Unified
Dublin Unified
Emery Unified
Fremont Unified
Hayward Unified
Livermore Valley Joint Unified
Mountain House Elementary
New Haven Unified
Newark Unified
Oakland Unified
Piedmont City Unified
Pleasanton Unified
San Leandro Unified
San Lorenzo Unified
Sunol Glen Unified

Community Colleges

Chabot Las Positas
Ohlone
Peralta Community

Alpine County

K-12

County Superintendent
Alpine County Unified

Amador County

K-12

County Superintendent
Amador County Unified

Butte County

K-12

County Superintendent
Bangor Union Elementary
Biggs Unified
Chico Unified
Durham Unified
Feather Falls Union Elementary
Golden Feather Union
Gridley Unified
Manzanita Elementary
Oroville City Elementary
Oroville Union High
Palermo Union
Paradise Unified
Pioneer Union Elementary
Thermalito Union

Community Colleges

Butte

Calaveras County

K-12

County Superintendent
Bret Harte Union High
Calaveras Unified
Mark Twain Union Elementary
Vallecito Union Elementary

Colusa County

K-12

County Superintendent
Colusa Unified
Maxwell Unified
Pierce Joint Unified
Williams Unified

Contra Costa County

K-12

County Superintendent
Acalanes Union High
Antioch Unified
Brentwood Union
Byron Union Elementary
Canyon Elementary
John Swett Unified
Knightsen Elementary
Lafayette Elementary
Liberty Union High
Martinez Unified
Moraga Elementary
Mt. Diablo Unified
Oakley Union Elementary
Orinda Union Elementary
Pittsburg Unified
San Ramon Valley Unified
Walnut Creek Elementary
West Contra Costa Unified

Community Colleges

Contra Costa

Del Norte County

K-12

County Superintendent
Del Norte County Unified

El Dorado County

K-12

County Superintendent
Black Oak Mine Unified
Buckeye Union Elementary
Camino Union Elementary
El Dorado Union High
Gold Oak Union
Gold Trail Union
Indian Diggings Elementary
Lake Tahoe Unified
Latrobe
Mother Lode Union Elementary
Pioneer Union Elementary
Placerville Union Elementary
Pollock Pines Elementary
Rescue Union Elementary
Silver Fork Elementary

Community Colleges

Lake Tahoe

Fresno County

K-12

County Superintendent
Alvina Elementary
American Union Elementary
Big Creek Elementary
Burrel Union Elementary

Caruthers Unified
Central Unified
Clay Joint Elementary
Clovis Unified
Coalinga/Huron Joint Unified
Firebaugh-Las Deltas Unified
Fowler Unified
Fresno Unified
Golden Plains Unified
Kerman Unified
Kings Canyon Joint Unified
Kingsburg Joint Union Elementary
Kingsburg Joint Union High
Laton Joint Unified
Mendota Unified
Monroe Elementary
Orange Center
Pacific Union Elementary
Parlier Unified
Pine Ridge Elementary
Raisin City Elementary
Riverdale Joint Unified
Sanger Unified
Selma Unified
Sierra Unified
Washington Colony Elementary
Washington Union High
West Fresno Elementary
West Park Elementary
Westside Elementary

Community Colleges

State Center
West Hills

Glenn County

K-12

County Superintendent
Capay Joint Union Elementary
Hamilton Union Elementary
Hamilton Union High
Lake Elementary
Orland Joint Unified
Plaza Elementary
Princeton Joint Unified
Stony Creek Joint Unified
Willows Unified

Humboldt County

K-12

County Superintendent
Arcata Elementary
Big Lagoon Union Elementary
Blue Lake Union Elementary
Bridgeville Elementary
Cuddeback Union Elementary
Cutton Elementary
Eureka City
Ferndale Unified
Fieldbrook Elementary
Fortuna Union Elementary
Fortuna Union High
Freshwater Elementary
Garfield Elementary
Green Point Elementary
Hydesville Elementary
Jacoby Creek Elementary

Klamath-Trinity Joint Unified
Kneeland Elementary
Loleta Union Elementary
Maple Creek Elementary
Mattole Unified
McKinleyville Union Elementary
Northern Humboldt Union High
Orick Elementary
Pacific Union Elementary
Peninsula Union Elementary
Rio Dell Elementary
Rohnerville Elementary
Scotia Union Elementary
South Bay Union Elementary
Southern Humboldt Joint Unified
Trinidad Union Elementary

Community Colleges

Redwoods

Imperial County

K-12

County Superintendent
Brawley Elementary
Brawley Union High
Calexico Unified
Calipatria Unified
Central Union High
El Centro Elementary
Heber Elementary
Holtville Unified
Imperial Unified
Magnolia Union Elementary
McCabe Union Elementary
Meadows Union Elementary
Mulberry Elementary
San Pasqual Valley Unified
Seeley Union Elementary
Westmorland Union Elementary

Community Colleges

Imperial

Inyo County

K-12

County Superintendent
Big Pine Unified
Bishop Joint Union High
Bishop Union Elementary
Death Valley Unified
Lone Pine Unified
Owens Valley Unified
Round Valley Joint Elementary

Kern County

K-12

County Superintendent
Arvin Union Elementary
Bakersfield City
Beardsley Elementary
Belridge Elementary
Blake Elementary
Buttonwillow Union Elementary
Caliente Union Elementary
Delano Joint Union High
Delano Union Elementary
Di Giorgio Elementary
Edison Elementary
El Tejon Unified
Elk Hills Elementary
Fairfax Elementary
Fruitvale Elementary

General Shafter Elementary
Greenfield Union
Kern Union High
Kernville Union Elementary
Lakeside Union Elementary
Lamont Elementary
Linns Valley-Poso Flat Union Elementary
Lost Hills Union
Maple Elementary
Maricopa Unified
McFarland Unified
McKittrick Elementary
Midway Elementary
Mojave Unified
Muroc Joint Unified
Norris
Panama-Buena Vista Union
Pond Union Elementary
Richland
Rio Bravo-Greeley Union Elementary
Rosedale Union Elementary
Semitropic Elementary
Sierra Sands Unified
South Fork Union
Southern Kern Unified
Standard Elementary
Taft City Elementary
Taft Union High
Tehachapi Unified
Vineland Elementary
Wasco Union Elementary
Wasco Union High

Community Colleges

Kern

West Kern

Kings County

K-12

County Superintendent
Armona Union Elementary
Central Union Elementary
Corcoran Joint Unified
Delta View Joint Union Elementary
Hanford Elementary
Hanford Joint Union High
Island Union Elementary
Kings River-Hardwick Union Elementary
Kit Carson Union Elementary
Lakeside Union Elementary
Lemoore Union Elementary
Lemoore Union High
Pioneer Union Elementary
Reef-Sunset Unified

Lake County

K-12

County Superintendent
Kelseyville Unified
Konocti Unified
Lakeport Unified
Lucerne Elementary
Middletown Unified
Upper Lake Union Elementary
Upper Lake Union High

Lassen County

K-12

County Superintendent
Big Valley Joint Unified
Fort Sage Unified

Janesville Union Elementary
Johnstonville Elementary
Lassen Union High
Ravendale-Termo Elementary
Richmond Elementary
Shaffer Union
Susanville
Westwood Unified

Community Colleges

Lassen

Los Angeles County

K-12

Los Angeles County Office of Education
ABC Unified
Acton-Agua Dulce Unifed
Alhambra City Elementary
Alhambra City High
Antelope Valley Union High
Arcadia Unified
Azusa Unified
Baldwin Park Unified
Bassett Unified
Bellflower Unified
Beverly Hills Unified
Bonita Unified
Burbank Unified
Castaic Union
Centinela Valley Union High
Charter Oak Unified
Claremont Unified
Compton Unified
Covina-Valley Unified
Culver City Unified
Downey Unified
Duarte Unified
East Whittier City Elementary
Eastside Union
El Monte City
El Monte Union High
El Rancho Unified
El Segundo Unified
Garvey Elementary
Glendale Unified
Glendora Unified
Gorman Elementary
Hacienda La Puente Unified
Hawthorne
Hermosa Beach City Elementary
Hughes-Elizabeth Lakes Union Elementary
Inglewood Unified
Keppel Union Elementary
La Canada Unified
Lancaster Elementary
Las Virgenes Unified
Lawndale Elementary
Lennox Elementary
Little Lake City Elementary
Long Beach Unified
Los Angeles Unified
Los Nietos Elementary
Lowell Joint Elementary
Lynwood Unified
Manhattan Beach Unified
Monrovia Unified
Montebello Unified
Mountain View Elementary
Newhall Elementary
Norwalk-La Mirada Unified
Palmdale Elementary

Palos Verdes Peninsula Unified
 Paramount Unified
 Pasadena Unified
 Pomona Unified
 Redondo Beach Unified
 Rosemead Elementary
 Rowland Unified
 San Gabriel Unified
 San Marino Unified
 Santa Monica-Malibu Unified
 Saugus Union Elementary
 South Pasadena Unified
 South Whittier Elementary
 Sulphur Springs Union Elementary
 Temple City Unified
 Torrance Unified
 Valle Lindo Elementary
 Walnut Valley Unified
 West Covina Unified
 Westside Union Elementary
 Whittier City
 Whittier Union High
 William S. Hart Union High
 Wilsona
 Wiseburn Elementary

Community Colleges

Antelope Valley
 Cerritos
 Citrus
 Compton
 El Camino
 Glendale
 Long Beach
 Los Angeles
 Mt San Antonio
 Pasadena Area
 Rio Hondo
 Santa Clarita
 Santa Monica

Madera County

K-12

County Superintendent
 Alview-Dairyland Union Elementary
 Bass Lake Joint Union Elementary
 Chawanakee Joint Unified
 Chowchilla Elementary
 Chowchilla Union High
 Coarsegold Union
 Golden Valley Unified
 Madera Unified
 Raymond-Knowles Union Elementary
 Yosemite Union High

Marin County

K-12

County Superintendent
 Bolinas-Stinson Union Elementary
 Dixie Elementary
 Kentfield Elementary
 Laguna Joint Elementary
 Lagunitas Elementary
 Larkspur Elementary
 Lincoln Elementary
 Mill Valley Elementary
 Nicasio Elementary
 Novato Unified
 Reed Union Elementary
 Ross Elementary
 Ross Valley

San Rafael City Elementary
 San Rafael City High
 Sausalito Elementary
 Shoreline Unified
 Tamalpais Union High
 Union Joint Elementary

Community Colleges

Marin

Mariposa County

K-12

County Office of Education
 Mariposa County Unified

Mendocino County

K-12

County Superintendent
 Anderson Valley Unified
 Arena Union Elementary
 Fort Bragg Unified
 Laytonville Unified
 Leggett Valley Unified
 Manchester Union Elementary
 Mendocino Unified
 Point Arena Joint Union High
 Potter Valley Community Unified
 Round Valley Unified
 Ukiah Unified
 Willits Unified

Community Colleges

Mendocino Lake

Merced County

K-12

County Superintendent
 Atwater Elementary
 Ballico-Cressey Elementary
 Delhi Unified
 Dos Palos Oro-Lima Joint Unified
 El Nido Elementary
 Gustine Unified
 Hilmar Unified
 Le Grand Union Elementary
 Le Grand Union High
 Livingston Union
 Los Banos Unified
 McSwain Union Elementary
 Merced City Elementary
 Merced River Union Elementary
 Merced Union High
 Plainsburg Union Elementary
 Planada Elementary
 Snelling-Merced Falls Union Elementary
 Weaver Union
 Winton Elementary

Community Colleges

Merced

Modoc County

K-12

County Superintendent
 Modoc Joint Unified
 Surprise Valley Joint Unified
 Tulelake Basin Joint Unified

Mono County

K-12

Mono County Office of Education
 Eastern Sierra Unified
 Mammoth Unified

Monterey County

K-12

County Superintendent
 Alisal Union Elementary
 Bradley Union Elementary
 Carmel Unified
 Chualar Union Elementary
 Gonzales Unified
 Graves Elementary
 Greenfield Union
 King City Joint Union High
 King City Union Elementary
 Lagunita
 Mission Union Elementary
 Monterey Peninsula Unified
 North Monterey County Unified
 Pacific Grove Unified
 Pacific Unified
 Salinas City Elementary
 Salinas Union High
 San Antonio Union Elementary
 San Ardo Union Elementary
 San Lucas Union Elementary
 Santa Rita Union Elementary
 Soledad Unified
 Spreckels Union
 Washington Union Elementary

Community Colleges

Hartnell
 Monterey Peninsula

Napa County

K-12

County Superintendent
 Calistoga Joint Unified
 Howell Mountain Elementary
 Napa Valley Unified
 Pope Valley Union
 St. Helena Unified

Community Colleges

Napa Valley

Nevada County

K-12

County Superintendent
 Chicago Park Elementary
 Clear Creek Elementary
 Grass Valley Elementary
 Nevada City
 Nevada Joint Union High
 Pleasant Ridge Union Elementary
 Pleasant Valley Elementary
 Ready Springs Union
 Twin Ridges Elementary
 Union Hill Elementary

Orange County

K-12

County Superintendent
 Anaheim City
 Anaheim Union High
 Brea-Olinda Unified
 Buena Park Elementary
 Capistrano Unified
 Centralia Elementary
 Cypress Elementary
 Fountain Valley Elementary
 Fullerton Elementary

Fullerton Joint Union High
Garden Grove Unified
Huntington Beach City Elementary
Huntington Beach Union High
Irvine Unified
La Habra City Elementary
Laguna Beach Unified
Los Alamitos Unified
Magnolia Elementary
Newport-Mesa Unified
Ocean View Elementary
Orange Unified
Placentia-Yorba Linda Unified
Saddleback Valley Unified
Santa Ana Unified
Savanna Elementary
Tustin Unified
Westminster Elementary

Community Colleges

Coast
North Orange County
Rancho Santiago
South Orange

Placer County

K-12

County Superintendent
Ackerman Elementary
Alta-Dutch Flat Union Elementary
Auburn Union Elementary
Colfax Elementary
Dry Creek Joint Elementary
Eureka Union Elementary
Foresthill Union Elementary
Loomis Union Elementary
Newcastle Elementary
Ophir Elementary
Penryn Elementary
Placer Hills Union Elementary
Placer Union High
Rocklin Unified
Roseville City Elementary
Roseville Joint Union High
Tahoe-Truckee Unified
Western Placer Unified

Community Colleges

Sierra Joint

Plumas County

K-12

County Superintendent
Plumas Unified

Community Colleges

Feather River

Riverside County

K-12

County Superintendent
Alvord Unified
Banning Unified
Beaumont Unified
Coachella Valley Unified
Corona-Norco Unified
Desert Center Unified
Desert Sands Unified
Hemet Unified
Jurupa Unified

Lake Elsinore Unified
Menifee Union Elementary
Moreno Valley Unified
Murrieta Valley Unified
Nuvview Union
Palm Springs Unified
Palo Verde Unified
Perris Elementary
Perris Union High
Riverside Unified
Romoland Elementary
San Jacinto Unified
Temecula Valley Unified
Val Verde Unified

Community Colleges

Desert
Mt San Jacinto
Palo Verde
Riverside

Sacramento County

K-12

County Superintendent
Arcohe Union Elementary
Center Unified
Del Paso Heights Elementary
Elk Grove Unified
Elverta Joint Elementary
Folsom-Cordova Unified
Galt Joint Union Elementary
Galt Joint Union High
Grant Joint Union High
Natomas Unified
North Sacramento Elementary
Rio Linda Union Elementary
River Delta Unified
Robla Elementary
Sacramento City Unified
San Juan Unified

Community Colleges

Los Rios

San Benito County

K-12

County Superintendent
Aromas/San Juan Unified
Bitterwater-Tully Union Elementary
Cienega Union Elementary
Hollister Elementary
Jefferson Elementary
North County Joint Union Elementary
Panoche Elementary
San Benito High
Southside Elementary
Tres Pinos Union Elementary
Willow Grove Union Elementary

San Bernardino County

K-12

County Office of San Bernardino
Adelanto Elementary
Alta Loma Elementary
Apple Valley Unified
Baker Valley Unified
Barstow Unified
Bear Valley Unified
Central Elementary
Chaffey Joint Union High

Chino Valley Unified
Colton Joint Unified
Cucamonga Elementary
Etiwanda Elementary
Fontana Unified
Helendale
Hesperia Unified
Lucerne Valley Unified
Morongo Unified
Mountain View Elementary
Mt. Baldy Joint Elementary
Needles Unified
Ontario-Montclair
Oro Grande Elementary
Redlands Unified
Rialto Unified
Rim of the World Unified
San Bernardino City Unified
Silver Valley Unified
Snowline Joint Unified
Trona Joint Unified
Upland Unified
Victor Elementary
Victor Valley Union High
Yucaipa-Calimesa Joint Unified

Community Colleges

Barstow
Chaffey
Copper Mountain
San Bernardino
Victor Valley

San Diego County

K-12

County Superintendent
Alpine Union
Bonsall Union Elementary
Borrego Springs Unified
Cajon Valley Union Elementary
Cardiff Elementary
Carlsbad Unified
Chula Vista Elementary
Coronado Unified
Dehesa
Del Mar Union
Encinitas Union Elementary
Escondido Union Elementary
Escondido Union High
Fallbrook Union Elementary
Fallbrook Union High
Grossmont Union High
Jamul-Dulzura Union Elementary
Julian Union Elementary
Julian Union High
La Mesa-Spring Valley
Lakeside Union Elementary
Lemon Grove Elementary
Mountain Empire Unified
National
Oceanside Unified
Poway Unified
Ramona Unified
Rancho Santa Fe Elementary
San Diego Unified
San Dieguito Union High
San Marcos Unified
San Pasqual Union
San Ysidro Elementary

Santee Elementary
 Solana Beach Elementary
 South Bay Union Elementary
 Spencer Valley Elementary
 Sweetwater Union High
 Vallecitos
 Valley Center-Pauma Unified
 Vista Unified
 Warner Unified

Community Colleges

Grossmont-Cuyamaca
 MiraCosta
 Palomar
 San Diego
 Southwestern

San Francisco County

K-12

San Francisco County Office
 of Education
 San Francisco Unified

Community Colleges

San Francisco

San Joaquin County

K-12

County Superintendent
 Banta Elementary
 Escalon Unified
 Holt Union Elementary
 Jefferson Elementary
 Lammersville Elementary
 Lincoln Unified
 Linden Unified
 Lodi Unified
 Manteca Unified
 New Hope Elementary
 New Jerusalem Elementary
 Oak View Union Elementary
 Ripon Unified
 Stockton City Unified
 Tracy Joint Unified

Community Colleges

San Joaquin Delta

San Luis Obispo County

K-12

County Superintendent
 Atascadero Unified
 Cayucos Elementary
 Coast Unified
 Lucia Mar Unified
 Paso Robles Joint Unified
 Pleasant Valley Joint Union Elementary
 San Luis Coastal Unified
 San Miguel Joint Union Elementary
 Shandon Joint Unified
 Templeton Unified

Community Colleges

San Luis Obispo County

San Mateo County

K-12

County Superintendent
 Bayshore Elementary
 Belmont Redwood Shores Elementary

Brisbane Elementary
 Burlingame Elementary
 Cabrillo Unified
 Hillsborough City
 Jefferson Elementary
 Jefferson Union High
 La Honda-Pescadero Unified
 Laguna Salada Union Elementary
 Las Lomitas Elementary
 Menlo Park City Elementary
 Millbrae Elementary
 Portola Valley Elementary
 Ravenswood City Elementary
 Redwood City Elementary
 San Bruno Park
 San Carlos Elementary
 San Mateo-Foster City
 San Mateo Union High
 Sequoia Union High
 South San Francisco Unified
 Woodside Elementary

Community Colleges

San Mateo

Santa Barbara County

K-12

County Superintendent
 Ballard Elementary
 Blochman Union Elementary
 Buellton Union Elementary
 Carpinteria Unified
 Casmalia Elementary
 Cold Spring Elementary
 College Elementary
 Cuyama Joint Unified
 Goleta Union Elementary
 Guadalupe Union Elementary
 Hope Elementary
 Lompoc Unified
 Los Alamos Elementary
 Los Olivos Elementary
 Montecito Union Elementary
 Orcutt Union Elementary
 Santa Barbara Elementary
 Santa Barbara High
 Santa Maria-Bonita
 Santa Maria Joint Union High
 Santa Ynez Valley Union High
 Solvang Elementary
 Vista Del Mar Union

Community Colleges

Allan Hancock Joint
 Santa Barbara

Santa Clara County

K-12

County Superintendent
 Alum Rock Union Elementary
 Berryessa Union
 Cambrian Elementary
 Campbell Union Elementary
 Campbell Union High
 Cupertino Union
 East Side Union High
 Evergreen Elementary
 Franklin-Mckinley Elementary
 Fremont Union High
 Gilroy Unified

Lakeside Joint
 Loma Prieta Joint Union Elementary
 Los Altos Elementary
 Los Gatos Union Elementary
 Los Gatos-Saratoga Joint Union High
 Luther Burbank
 Milpitas Unified
 Montebello Elementary
 Moreland Elementary
 Morgan Hill Unified
 Mountain View-Whisman Elementary
 Mountain View-Los Altos Union High
 Mt. Pleasant Elementary
 Oak Grove Elementary
 Orchard
 Palo Alto Unified
 San Jose Unified
 Santa Clara Unified
 Saratoga Union Elementary
 Sunnyvale Elementary
 Union Elementary

Community Colleges

Foothill-DeAnza
 Gavilan
 San Jose/Evergreen
 West Valley Mission

Santa Cruz County

K-12

County Superintendent
 Bonny Doon Union Elementary
 Happy Valley Elementary
 Live Oak Elementary
 Mountain Elementary
 Pacific Elementary
 Pajaro Valley Unified
 San Lorenzo Valley Unified
 Santa Cruz City Elementary
 Santa Cruz City High
 Scotts Valley Unified
 Soquel Union Elementary

Community Colleges

Cabrillo

Shasta County

K-12

County Superintendent
 Anderson Union High
 Bella Vista Elementary
 Black Butte Union Elementary
 Cascade Union Elementary
 Castle Rock Union Elementary
 Columbia Elementary
 Cottonwood Union Elementary
 Enterprise
 Fall River Joint Unified
 French Gulch-Whiskeytown Elementary
 Gateway Unified
 Grant Elementary
 Happy Valley Union Elementary
 Igo, Ono, Platina Union Elementary
 Indian Springs Elementary
 Junction Elementary
 Millville Elementary
 Mountain Union Elementary
 North Cow Creek Elementary
 Oak Run Elementary
 Pacheco Union Elementary

Redding Elementary
Shasta Union Elementary
Shasta Union High
Whitmore Union Elementary

Community Colleges

Shasta-Tehama-Trinity Joint

Sierra County

K-12

County Superintendent
Sierra-Plumas Joint Unified

Community Colleges

Sierra Joint

Siskiyou County

K-12

County Superintendent
Big Springs Union Elementary
Bogus Elementary
Butte Valley Unified
Butteville Union Elementary
Delphic Elementary
Dunsmuir Elementary
Dunsmuir Joint Union High
Etna Union Elementary
Etna Union High
Forks of Salmon Elementary
Fort Jones Union Elementary
Gazelle Union Elementary
Grenada Elementary
Happy Camp Union Elementary
Hornbrook Elementary
Junction Elementary
Klamath River Union Elementary
Little Shasta Elementary
McCloud Union Elementary
Montague Elementary
Mt Shasta Union
Quartz Valley Elementary
Seiad Elementary
Siskiyou Union High
Weed Union Elementary
Willow Creek Elementary
Yreka Union Elementary
Yreka Union High

Community Colleges

Siskiyou Joint

Solano County

K-12

County Superintendent
Benicia Unified
Dixon Unified
Fairfield-Suisun Unified
Travis Unified
Vacaville Unified
Vallejo City Unified

Community Colleges

Solano County

Sonoma County

K-12

County Superintendent
Alexander Valley Union Elementary
Bellevue Union Elementary
Bennett Valley Union Elementary

Cinnabar Elementary
Cloverdale Unified
Cotati-Rohnert Park Unified
Dunham
Forestville Union Elementary
Fort Ross Elementary
Geyserville Unified
Gravenstein Union Elementary
Guerneville Elementary
Harmony Union Elementary
Healdsburg Unified
Horicon Elementary
Kashia Elementary
Kenwood Elementary
Liberty Elementary
Mark West Union
Monte Rio Union Elementary
Montgomery Elementary
Oak Grove Union Elementary
Old Adobe Union Elementary
Petaluma City Elementary
Petaluma Joint Union High
Piner-Olivet Union Elementary
Rincon Valley Union Elementary
Roseland Elementary
Santa Rosa Elementary
Santa Rosa High
Sebastopol Union Elementary
Sonoma Valley Unified
Twin Hills Union Elementary
Two Rock Union Elementary
Waugh Elementary
West Side Union Elementary
West Sonoma County Union High
Wilmar Union Elementary
Windsor Unified
Wright Elementary

Community Colleges

Sonoma County

Stanislaus County

K-12

County Superintendent
Ceres Unified
Chatom Union Elementary
Denair Unified
Empire Union
Gratton Elementary
Hart-Ransom Union Elementary
Hickman Elementary
Hughson Unified
Hughson Union High
Keyes Union Elementary
Knights Ferry Elementary
La Grange Elementary
Modesto City Elementary
Newman-Crows Landing Unified
Oakdale Joint Unified
Paradise Elementary
Patterson Joint Unified
Riverbank Unified
Roberts Ferry Union Elementary
Salida Union
Shiloh Elementary
Stanislaus Union Elementary
Sylvan Union Elementary
Turlock Joint Elementary
Turlock Joint Union High

Valley Home Joint Elementary
Waterford Unified

Community Colleges

Yosemite

Sutter County

K-12

County Superintendent
Brittan Elementary
Browns Elementary
East Nicolaus Joint Union High
Franklin Elementary
Live Oak Unified
Marcum-Illinois Union
Meridian Elementary
Nuestro Elementary
Pleasant Grove Joint Union Elementary
Sutter Union High
Winship Elementary
Yuba City Unified

Tehama County

K-12

County Superintendent
Antelope Elementary
Bend Elementary
Corning Union Elementary
Corning Union High
Elkins Elementary
Evergreen Union Elementary
Flournoy Union Elementary
Gerber Union Elementary
Kirkwood Elementary
Lassen View Union Elementary
Los Molinos Unified
Manton Joint Union Elementary
Mineral Elementary
Plum Valley Elementary
Red Bluff Joint Union High
Red Bluff Union Elementary
Reeds Creek Elementary
Richfield Elementary

Trinity County

K-12

County Superintendent
Burnt Ranch Elementary
Coffee Creek Elementary
Cox Bar Elementary
Douglas City Elementary
Junction City Elementary
Lewiston Elementary
Mountain Valley Unified
Southern Trinity Joint Unified
Trinity Center Elementary
Trinity Union High
Weaverville Elementary

Tulare County

K-12

County Superintendent
Allensworth Elementary
Alpaugh Unified
Alta Vista Elementary
Buena Vista Elementary
Burton Elementary
Citrus South Tule Elementary
Columbine Elementary
Cutler-Orosi Unified

Dinuba Unified
 Ducor Union Elementary
 Earlimart Elementary
 Exeter Union Elementary
 Exeter Union High
 Farmersville Unified
 Hope Elementary
 Hot Springs Elementary
 Kings River Union Elementary
 Liberty Elementary
 Lindsay Unified
 Monson-Sultana Joint Union Elementary
 Oak Valley Union Elementary
 Outside Creek Elementary
 Palo Verde Union Elementary
 Pixley Union Elementary
 Pleasant View Elementary
 Porterville Unified
 Richgrove Elementary
 Rockford Elementary
 Saucelito Elementary
 Sequoia Union Elementary
 Springville Union Elementary
 Stone Corral Elementary
 Strathmore Union Elementary
 Strathmore Union High
 Sundale Union Elementary
 Sunnyside Union Elementary
 Terra Bella Union Elementary
 Three Rivers Union Elementary
 Tipton Elementary
 Traver Joint Elementary
 Tulare City Elementary
 Tulare Co. DOE Child Care Div.
 Tulare Co. Org for Voc. Ed.
 Tulare Joint Union High
 Visalia Unified
 Waukena Joint Union Elementary
 Woodlake Union Elementary
 Woodlake Union High
 Woodville Elementary

Community Colleges

College of the Sequoias

Tuolumne County

K-12

County Superintendent
 Belleview Elementary
 Big Oak Flat-Groveland Unified
 Chinese Camp Elementary
 Columbia Union
 Curtis Creek Elementary
 Jamestown Elementary
 Sonora Elementary
 Sonora Union High
 Soulsbyville Elementary
 Summerville Elementary
 Summerville Union High
 Twain Harte-Long Barn Union

Ventura County

K-12

County Superintendent
 Briggs Elementary
 Conejo Valley Unified
 Fillmore Unified
 Hueneme Elementary

Mesa Union Elementary
 Moorpark Unified
 Mupu Elementary
 Oak Park Unified
 Ocean View Elementary
 Ojai Unified
 Oxnard Elementary
 Oxnard Union High
 Pleasant Valley Elementary
 Rio Elementary
 Santa Clara Elementary
 Santa Paula Elementary
 Santa Paula Union High
 Simi Valley Unified
 Somis Union Elementary
 Ventura Unified

Community Colleges

Ventura County

Yolo County

K-12

County Superintendent
 Davis Joint Unified
 Esparto Unified
 Washington Unified
 Winters Joint Unified
 Woodland Joint Unified

Yuba County

K-12

County Superintendent
 Camptonville Union Elementary
 Marysville Joint Unified
 Plumas Elementary
 Wheatland Elementary
 Wheatland Union High

Community Colleges

Yuba

Regional Occupational Programs

Amador County
 Antelope Valley
 Baldy View
 Butte County
 Calaveras County
 Capistrano Laguna Beach
 Central County Occupational Ctr
 Central County
 Central Sierra
 Coastline
 Colton-Redlands-Yucaipa
 Compton Unified
 Contra Costa County
 Del Norte County
 East San Gabriel Valley
 Eden Area
 Forty-Niner
 Fresno
 Glenn County
 Hart
 Humboldt County
 Imperial Valley
 Inyo County
 Kern County
 Kern High School District
 Kings County

La Puente Valley
 Lake County
 Lassen County
 Long Beach Unified School District
 Los Angeles County
 Los Angeles Unified School District
 Marin County
 Mendocino County
 Merced County
 Mission Trails
 Mission Valley ROC/P
 Modoc County
 Napa County Regional
 North Kern Vocational Training
 North Orange County
 Oakland-Alameda
 Plumas and Sierra County
 Riverside County
 Sacramento County
 San Antonio
 San Bernardino County
 San Diego County
 San Francisco County
 San Joaquin County
 San Mateo County
 Santa Barbara County-North
 Santa Barbara County-South
 Santa Clara County-North
 Santa Clara County-South
 Santa Cruz County
 Santa Lucia
 Shasta-Trinity
 Siskiyou County
 Siskiyou (9-12)
 Solano County
 Sonoma County
 Southeast Los Angeles County
 Southern California
 Tehama County
 Tri-Cities
 Tri-County
 Tri-Valley
 Tulare Co. Org. for Vocational Education
 Valley
 Ventura County
 West Side
 Yolo County
 Yosemite

State of California

Cash Balance Benefit Program

Participating Employers

Alameda County

Berkeley Unified School District
Chabot-Las Positas Community College District
Fremont-Newark Community College District
Fremont Unified School District
Peralta Community College District

Butte County

Butte County Community College District

Contra Costa County

Contra Costa Community College District
West Contra Costa Unified School District

Los Angeles County

Antelope Valley Community College District
El Camino Community College District
Glendale Community College District
Mountain View Elementary

Placer County

Sierra Community College District

Sacramento County

Robla Unified School District

San Diego County

Grossmont Union High School District
Mira Costa Community College District

San Francisco County

City College of San Francisco

San Mateo County

San Mateo Community College District

Santa Barbara County

Allan Hancock Joint Community College

Santa Clara County

Foothill-DeAnza Community College District
San Jose/Evergreen Community College District

Solano County

Solano County Community College District

Sonoma County

Sonoma County Junior College

Ventura County

Ventura Community College District

Yuba County

Yuba Community College District

Table 1 Schedule of revenues by source (dollars in thousands)

Fiscal Year Ended June 30	Participant Contributions	Employer Contributions	Percentage of Annual Covered Payroll	Investment Income	Other Income	Total
2003	\$3,581	\$3,590	8.05%	\$1,381.8	\$0	\$8,552.8
2002	3,535	3,586	8.05	(943.7)	0	6,177.3
2001	2,936	3,035	8.05%	(942.2)	0	5,028.8
2000	2,590	2,365	8.09%	812.0	0	5,767.0
1999 ⁽¹⁾	550	560	8.00%	(183.0)	0	927.0

(1) 1999 figures represent period from 7/1/98 to 12/31/98 for Cash Balance Plan

Table 2 Schedule of expenses by type (dollars in thousands)

Fiscal Year	Benefit Ended June 30	Administrative Payments Expenses	Refunds	Misc	Total
2003	\$0	\$16.8	\$320.5	\$0	\$337.3
2002	0	10.8	195.3	0	206.1
2001	0	8.2	118.7	0	126.9
2000 ⁽¹⁾	0	4.8	58.5	(263.5)	(200.2)
1999 ⁽²⁾	0	387.0	3.0	1,327.0 ⁽³⁾	1,717.0

(1) 2000 represents cost savings to administrative expenses to CBBP absorbed by TRB per California Education Code.

(2) 1999 figures represent period from 7/1/98 to 12/31/98 for Cash Balance Plan.

(3) Interfund interest expense on loan payable to Teachers' Retirement Fund at December 31, 1998, \$41,648. Equity transfer to Teachers' Retirement Fund recorded at fund closure \$1,285,093.

Programs Administered or Overseen by the Retirement System

Voluntary Investment Program (formerly CalSTRS 403(b) Program)

Table 1 Schedule of revenues by source (dollars in thousands)

Fiscal Year Ended June 30	Participant Contributions	Interest, Dividends and Other Investment Income	Other	Total
2003	\$17,481	\$1,054	0	\$18,535
2002	14,472	(6,158)	0	8,314
2001	14,732	(5,099)	0	9,633
2000	13,792	3,116	0	16,908
1999	8,675	4,121	0	12,796

Table 2 Schedule of expenses by type (dollars in thousands)

Fiscal Year Ended June 30	Annuity Payments	Administrative Expenses	Refunds	Total
2003	\$1,965	\$504	\$3,478	\$5,947
2002	453	372	2,553	3,378
2001	250	344	2,288	2,882
2000	250	275	2,201	2,726

Participating Employers

Alameda County

K-12

Alameda Unified
Albany
Berkeley Unified
Castro Valley Unified
Emery Unified
Fremont Unified
Hayward Unified
Livermore Valley Joint Unified
Newark Unified
Oakland Unified
Pleasanton Unified
San Leandro Unified

Community Colleges

Chabot Las Positas
Fremont Newark
Peralta

Alpine County

K-12

Alpine County Unified

Amador County

K-12

Amador County Unified

Butte County

K-12

County Superintendent
Bangor Union Elementary

Chico Unified
Manzanita Elementary
Oroville City Elementary
Palermo Union
Pioneer Union Elementary

Community Colleges

Butte

Calaveras County

K-12

Calaveras Unified
County Superintendent
Mark Twain

Colusa County

K-12

Colusa Unified

Contra Costa County

K-12

County Superintendent
Acalanes Union High
Brentwood Union
John Swett
Lafayette Elementary
Mt Diablo Unified
Oakley Union Elementary
Orinda Union Elementary
Pittsburg
West Contra Costa Unified

Community Colleges

Contra Costa

Del Norte County

K-12

County Superintendent
Del Norte County Unified

El Dorado County

K-12

El Dorado Union High
Lake Tahoe Unified
Rescue Union Elementary

Community Colleges

Lake Tahoe

Fresno County

K-12

Caruthers Union Elementary
Central Unified
Clovis Unified
Coalinga/Huron Unified
Fresno Unified
Kings Canyon Joint Unified
Mendota Unified
Sanger Unified

Community Colleges

State Center

Glenn County

K-12

County Superintendent
Capay Joint Union
Elementary
Hamilton Union Elementary
Hamilton Union High
Lake Elementary
Orland Joint Union Elementary
Orland Joint Union High
Plaza Elementary
Princeton Joint Unified
Stony Creek Joint Unified
Willows Unified

Humboldt County

K-12

Fortuna Union High
Humboldt County Office of Education
South Bay Union Elementary

Imperial County

K-12

Brawley Elementary
Calexico Unified
Central Union High
El Centro Elementary
Imperial Unified

Inyo County

K-12

Bishop Joint Union High

Kern County

K-12

County Superintendent

Bakersfield City Elementary
Beardsley Elementary
Belridge Elementary
Delano Union Elementary
Edison Elementary
El Tejon Unified
Fruitvale Elementary
Greenfield Union
Kernville Union Elementary
Lamont School District
Mojave Unified
Muroc Joint Unified
Richland-Lerdo Elementary
Rosedale Union Elementary
Sierra Sands Unified
Taft Union High

Community Colleges

West Kern

Kings County

K-12

County Superintendent
Corcoran Joint Unified
Hanford Elementary

Lake County

K-12

Konocti Unified
Lake County Office of
Education
Lakeport Unified
Lucerne Elementary
Middletown Unified
Upper Lake Elementary

Lassen County

K-12

Susanville Elementary

Los Angeles County

K-12

ABC Unified
Acton-Agua Dulce Unified
Antelope Valley Union High
Arcadia Unified
Basset Unified
Bellflower Unified
Belvedere Middle School
Bonita
Burbank Unified
Centinela Valley Union High
Claremont Unified
Compton Unified
Covina Valley Unified
Culver City Unified
Downey
East San Gabriel ROP
East Whittier Elementary
Eastside Union
El Monte Union High
El Rancho Unified
El Segundo Unified
Garvey Elementary
Glendale Unified
Glendora Unified
Hacienda La Puente Unified
Hawthorne Elementary
Inglewood Unified
La Canada Unified
Lancaster Elementary

Las Virgenes Unified
Lennox Elementary
Long Beach Unified
Los Angeles Unified
Los Angeles County Office of Education
Los Nietos Elementary
Lynwood Unified
Manhattan Beach Intermediate
Manhattan Elementary
Monrovia Unified
Montebello Unified
Mountain View Elementary
Newhall Elementary
Norwalk-La Mirada Unified
Palmdale Elementary
Palos Verdes Peninsula Unified
Palos Verdes Unified
Pasadena Unified
Pomona Unified
Redondo Beach Unified
Rosemead Elementary
Rowland Unified
San Gabriel Elementary
San Marino Unified
Santa Monica-Malibu Unified
Santa Ynez Valley Union High
Saugus Unified
Soledad-Agua Dulce Union Elementary
Torrance Unified
Valle Lindo Elementary
Walnut Valley Unified
Westside Union
Whittier Union High
William S Hart Union High
Wiseburn Elementary

Community Colleges

Antelope Valley
Cerritos
Citrus
El Camino
Long Beach
Los Angeles
Rio Honda
Santa Clarita
Santa Monica

Madera County

K-12

Madera Unified
Yosemite Union High

Marin County

K-12

County Superintendent
Lincoln Elementary
Novato Unified
Ross Valley Unified
San Rafael City High
San Rafael Elementary

Community Colleges

College of Marin

Mendocino County

K-12

Fort Bragg Unified
Round Valley Unified
Ukiah Unified
Willits Unified

Community Colleges

Mendocino-Lake

Merced County

K-12

County Superintendent
Atwater Elementary
Ballico Cressey Elementary
Delhi Elementary
Dos Palos-Oro Loma Joint Unified
El Nido Elementary
Gustine Unified
Hilmar Unified
Le Grand Union Elementary
Le Grand Union High
Livingston Union
Los Banos Unified
McSwain Elementary
Merced City Elementary
Merced River Union Elementary
Merced Union High
Plainsburg Elementary
Planada Elementary
Snelling Merced Falls Union Elementary
Weaver Union Elementary
Winton Elementary

Monterey County

K-12

Alisol Union
Bradley Union Elementary
Carmel Unified
Greenfield Union Elementary
Monterey Peninsula Unified
North Monterey County Unified
Pacific Grove Unified
Salinas City Elementary
Santa Rita Union Elementary
Soledad Union Elementary

Community Colleges

Monterey Peninsula

Napa County

K-12

County Superintendent
Napa Valley Unified
Pleasant Ridge Unified
Pope Valley Union
Elementary
St Helena Unified

Community Colleges

Napa Valley College

Nevada County

K-12

Grass Valley Elementary
Pleasant Ridge Union Elementary
Ready Springs Union
Twin Ridges Elementary
Union Hill Elementary

Orange County

K-12

Anaheim City
Anaheim Union High
Brea-Olinda Unified
Capistrano Unified
Fullerton Joint Union High
Garden Grove Unified

Laguna Beach Unified
Newport-Mesa Unified
North Orange ROP
Ocean View Elementary
Orange Unified
Placentia-Yorba Linda Unified
Saddleback Valley Unified
Santa Ana Unified
Savanna School District
Tustin Unified

Community Colleges

Coast
North Orange
Rancho Santiago

Placer County

K-12

Alta-Dutch Flat Union Elementary
Auburn Union Elementary
Eureka Union Elementary
Penryn Elementary
Placer Hills Union Elementary
Placer Union High
Prosser Creek Charter
Rocklin Unified
Roseville City Elementary

Community Colleges

Sierra College

Riverside County

K-12

Banning Unified
Coachella Valley Unified
Corona-Norco Unified
Desert Sands Unified
Hemet Unified
Jurupa Unified
Lake Elsinore Unified
Moreno Valley Unified
Murrieta Valley Unified
Palm Springs Unified
Palo Verde Unified
Riverside Office of Education
Riverside Unified
San Jacinto Unified
Temecula Valley Unified

Community Colleges

Desert

Sacramento County

K-12

County Superintendent
Center Unified
Elk Grove Unified
Folsom Cordova Unified
Galt Joint Union High
Grant Joint Union High
Natomas Union Elementary
Rio Linda Union Elementary
River Delta Joint Unified
San Juan Unified
Sacramento City Unified

Community Colleges

Los Rios

San Benito County

K-12

County Superintendent

San Bernardino County

K-12

San Bernardino COE
Adelanto Elementary
Alta Loma Elementary
Apple Valley
Baldy View ROP
Barstow Unified
Bear Valley Unified
Chaffey Union High
Chino Unified
Colton Joint Unified
Etiwanda Elementary
Fontana Unified
Helendale
Morgan Hill
Morongo Unified
Needles Unified
Ontario Montclair Elementary
Redlands Unified
Rialto Unified
Rim of the World Unified
Silver Valley Unified
Upland Unified
Victor Elementary
Victor Valley Union High
Yucaipa Calimesa Unified

Community Colleges

Chaffey
San Bernardino
Victor Valley

San Diego County

K-12

Alpine Union
Borrego Springs Unified
County Superintendent
Cajon Valley Union Elementary
Carlsbad Unified
Chula Vista City
Del Mar Union
Escondido Union Elementary
Escondido Union High
Fallbrook Union Elementary
Grossmont Union High
Julian Union Elementary
La Mesa Spring Valley
Lakeside Union Elementary
Mountain Empire Unified
Oceanside City Unified
Poway Unified
Ramona Unified
San Diego City Unified
San Marcos Unified
San Ysidro Elementary
Santee Elementary
Solana Beach Elementary
South Bay Union Elementary
Sweetwater Union High
Vista Unified
Warner Unified

Community Colleges

Grossmont Cuyamaca
Mira Costa
San Diego

San Francisco County

K-12

San Francisco County Office of Education
San Francisco Unified

Community Colleges

San Francisco

San Joaquin County

K-12

County Superintendent
Banta Elementary
Delta Island Union Elementary
Escalon Unified
Holt Union Elementary
Lammersville Elementary
Lincoln Unified
Lodi Unified
Manteca Unified
New Hope Elementary
Oak View Union Elementary
Stockton City Unified
Tracy Elementary

Community Colleges

San Joaquin Delta

San Luis Obispo County

K-12

Lucia Mar Unified
Paso Robles Union Elementary
San Luis Coastal Unified

Community Colleges

Cuesta
San Luis Obispo County

San Mateo County

K-12

Bayshore
Belmont-Redwood Shores Elementary
Brisbane Elementary
Cabrillo Unified School District
Hillsborough City
Jefferson Elementary
Las Lomas Elementary
Menlo Park City Elementary
Portola Valley Elementary
Redwood City Elementary
San Bruno Park
San Mateo City
South San Francisco Unified

Community Colleges

San Mateo

Santa Barbara County

K-12

Ballard Elementary
Cuyama Joint Unified
Goleta Union
Hope Elementary
Los Alamos Elementary
Montecito Union Elementary
Santa Barbara County Office of Education
Santa Barbara Solvang Elementary
Santa Maria Bonita

Community Colleges

Allan Hancock
Santa Barbara

Santa Clara County

K-12

County Superintendent
Alum Rock Union Elementary
Berryessa Union Elementary
Central County Regional Program
Cupertino Union
East Side Union High
Evergreen Elementary
Franklin McKinley Elementary
Gilroy Unified
Los Gatos-Saratoga Joint Union High
Milpitas Unified
Moreland Elementary
Mountain View-Los Altos Union High
San Jose Unified
Solvang

Community Colleges

De Anza College
Foothill-De Anza
San Jose/Evergreen
West Valley

Santa Cruz County

K-12

County Superintendent
Pajaro Valley Unified
San Lorenzo Valley Unified
Santa Cruz City Elementary
Scotts Valley Unified

Community Colleges

Cabrillo

Shasta County

K-12

Anderson Union High
Black Butte Union Elementary
Enterprise School District
Grant Elementary
Millville Elementary
Shasta Union Elementary
Shasta Union High

Community Colleges

Shasta Tehema Trinity

Sierra County

K-12

Sierra-Plumas Joint Unified

Siskiyou County

K-12

County Superintendent
Dunsmuir Joint Union High
Etna Union High
Klamath River Union Elementary
Mt Shasta Union

Solano County

K-12

Benicia Unified
Dixon Unified
Fairfield-Suisun Unified
Vacaville Unified
Vallejo City Unified

Sonoma County

K-12

Analy Union High
Cloverdale Unified
Cotati-Rohnert Park Unified
Fort Ross Elementary
Guerneville Elementary
Petaluma City
Sebastopol Union Elementary
Two Rock Union Elementary
Waugh Elementary
Westside Union Elementary
Wright Elementary

Community Colleges

Sonoma County Junior College

Stanislaus County

K-12

Hart Ransom Union Elementary
Hickman Elementary
Modesto City Elementary
Patterson Joint Unified
Stanislaus County Office of Education
Stanislaus Union Elementary
Turlock Joint Union High

Community Colleges

Yosemite

Sutter County

K-12

Browns Elementary
County Superintendent
Live Oak Unified
Yuba City Unified

Tehama County

K-12

Los Molinos Unified
Red Bluff Union Elementary

Trinity County

K-12

County Superintendent
Southern Trinity Joint Unified

Tulare County

K-12

Alpaugh Unified
Farmersville Unified
Liberty Elementary
Lindsay Unified
Porterville Union High
Tulare County Superintendent
Visalia Unified

Tuolumne County

K-12

Columbia Union
Curtis Creek Elementary
Jamestown Elementary

Ventura County

K-12

Conejo Valley Unified
Moorpark Unified
Oak Park Unified
Oceanview Elementary
Oxnard Elementary
Rio Elementary

Yolo County

K-12

County Superintendent
Davis Joint Unified