

CALSTRS

HOW WILL YOU SPEND YOUR FUTURE?




CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Comprehensive Annual Financial Report

A COMPONENT UNIT OF THE STATE OF CALIFORNIA, JUNE 30, 2005

"Time is the coin of your life. It is the only coin you have, and only you can determine how it will be spent."

— Carl Sandburg



A California teacher invests the coin of life with children, inspiring them to grow and learn and contribute to society.

A future full of reward and promise awaits.

But what will be the teacher's future reward?

Countless intangible benefits grow from a career spent in service to children, but at the California State Teachers' Retirement System, we aim for a more tangible benefit, something that can be counted.

A secure, rewarding retirement.



CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

CalSTRS mission:

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

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Award: GFOA Certificate



CALSTRS

HOW WILL YOU SPEND YOUR FUTURE?

June 8, 2006

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, 2005.

CalSTRS is one of the nation's oldest teacher pension systems, beginning in the earliest days of employers' concern for the welfare of their employees and their retirement.

As we look back on the year, we are heartened by a chronicle of successes amid the undeniable challenges of a complex economic environment. This past year, as in every year to come, we remain committed to strengthening our role in securing the financial future of CalSTRS members, our state's educators. Their tireless efforts in California's classrooms will help our children reap a lifetime of rewards. In turn, we want our efforts in building and maintaining a core pension benefit for these educators to help them reap rewards in their retirement. Over and over in our publications and online materials, we ask teachers, "How will you spend your future?" The answer we want lies in a world of possibilities made real by sound investments and smart financial guidance. That's our commitment to rewarding time.

One measure of our success is seen in the reports and tables included here. These details capture the financial progress of our efforts to guide educators into a future life, not away from a past career. We are here to help members determine and achieve their vision of successful retirement, whether it is volunteer work, family, hobbies or just time to read all those books collected over the years.

We see ourselves as a trusted guide for those we trust to guide society's most precious members.

The 2005 CAFR contains the following sections:

The **introductory section** includes this letter of transmittal, administrative organization details and a review of CalSTRS activities.

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. It also contains an explanation of investment policy, portfolio performance information and various investment schedules for the State Teachers' Retirement Plan, including investment of the Defined Benefit Supplement and Cash Balance Benefit programs contributions. 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, Defined Benefit Supplement Program, Cash Balance Benefit Program and CalSTRS Voluntary Investment Program.

Profile

CalSTRS provides retirement, disability and survivor benefits to California's 775,917 public school educators from kindergarten through community college. The California Education Code, known as the Teachers' Retirement Law, established these programs with CalSTRS as administrator. Required member and employer contribution rates are set by law. CalSTRS members as of June 30, 2005, included employees of approximately 1,300 school districts, community college districts, county offices of education and regional occupational programs (listed starting on Page 100).

Funding

The determination of the funding status as of June 30, 2004, presented some challenges for this report. The covered payroll for the June 30, 2004, actuarial valuation was identified as overstated as this report was going to print. The June 30, 2004, actuarial valuation has not been revised. However, certain values contained in the financial and actuarial sections of this report were estimated to compensate for this overstated covered payroll. As of June 30, 2004, the Defined Benefit Program has an estimated unfunded actuarial obligation of \$20.6 billion, having an estimated 85 percent of the funds needed to fund the cost of the benefit plan in effect on June 30, 2004. Further discussion is provided within the financial section of this report.

Introduction

Under California state law, the Defined Benefit Program receives contributions from members and employers set at a percentage of the member's earnings plus state General Fund contributions from the fiscal year ending in the prior calendar year (see Page 22). The cost of administering the State Teachers' Retirement Plan is financed through the investment earnings of the plan.

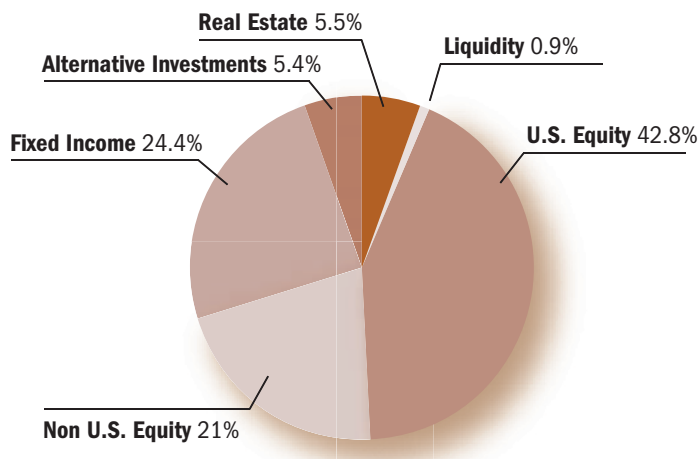
Financial

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

The CalSTRS investment portfolio finished the fiscal year at an all-time high value. At \$129.6 billion, the portfolio is a full \$16 billion higher in value than it was at the height of the stock market rally of the 1990s. For the fiscal year 2004–2005, CalSTRS earned an 11.1 percent investment return. That ranked in the top 15th percentile of public pension plans. Over the past three years ending June 30, 2005, the fund has earned a 10.5 percent return and ranked in the top 20th percentile of

Asset Allocation as of June 30, 2005
Total investment portfolio of \$129.6 billion



all public pension plans in the United States. All but one asset class exceeded its policy benchmark over the period and the total fund exceeded the benchmark for the fourth straight year.

The Teachers' Retirement Board – Investment Committee and CalSTRS investment staff regularly review and update CalSTRS investment policies. Important enhancements were made to the External Equity policy to clarify the risk matrix and structure of non-US emerging markets and to allow active corporate governance investments. The Credit Enhancement Program policy was expanded to allow investments across the United States, and the Alternative Investment Policy was modified to adjust the sub-asset class structure.

Award

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, 2004. This was the 10th 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.

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 ensure the successful operation of the California State Teachers' Retirement System.

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.

Respectfully submitted,

Jack Ehnes
Chief Executive Officer

Teachers' Retirement Board

as of June 30, 2005



Carolyn A. Widener
Chair
Community College Instructor
Term: 1/1/04 – 12/31/07



Dana Dillon
Vice Chair
K-12 Classroom Teacher
Term: 1/1/04 – 12/31/07



Phil Angelides
State Treasurer
Ex-Officio Member



Jack O'Connell
Superintendent of
Public Instruction
Ex-Officio Member



Steve Westly
State Controller
Ex-Officio Member

(no photo available)

Tom Campbell
State Finance Director
Ex-Officio Member



Jerilyn Harris
Retiree Representative
Term: 4/29/05 – 12/31/07



Roger Kozberg
Public Representative
Term: 4/28/05 – 12/31/05

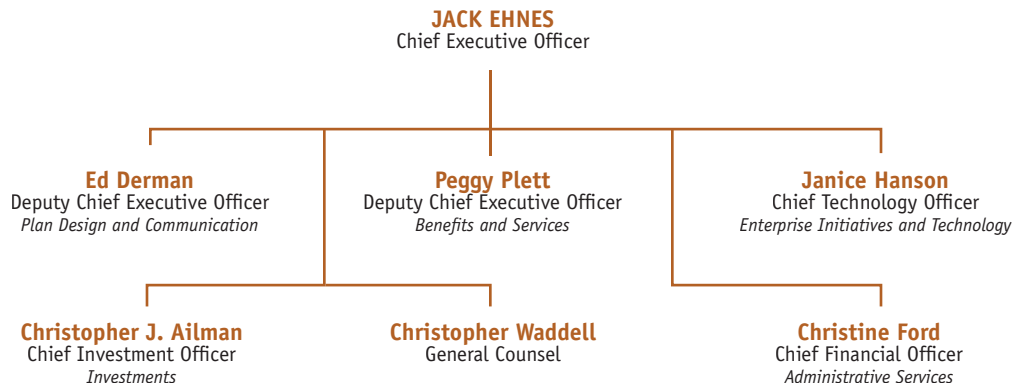


Gary Lynes
K-12 Classroom Teacher
Term: 1/1/04 – 12/31/07

Current Executive Staff



pictured from left to right (back row): Christopher Waddell, Christopher J. Ailman, Jack Ehnes, Ed Derman;
(front row) Christine Ford, Peggy Plett, Janice Hanson





Professional Services

CalSTRS contracts for the services of various independent consultants essential to the effective and professional operation of the system. Milliman provides actuarial services and the independent auditor is Macias Gini & Company 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.

- The Ballard Group
- Jaykumar Maistry
- Nanran
- Visionary Integration



There is a time for some things, and a time for all things; a time for great things, and a time for small things.

Miguel de Cervantes Saavedra

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 1,300 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, 2005, there were a total of 450,282 active, 124,394 inactive members and 201,241 retired members, disability and survivor benefit recipients. The combined total of members and benefit recipients equals 775,917, an increase of 21,864 from the previous fiscal year.

(The financial statements, presented in the financial section, contain Defined Benefit Program membership data as of June 30, 2004, due to the timing of the independent auditor's report.)

Benefits to Members and Benefit Recipients

Service Retirement

CalSTRS is committed to providing exceptional service to its retiring members in keeping with the System's values. The staff provides timely and accurate payments and information about application and benefit payment processes.

In 2004–05, 11,848 members applied for retirement, which is a 3.7 percent decrease from the previous year.

Survivor Benefits

CalSTRS received 6,211 survivor benefits applications, which is an increase of 1.3 percent over last fiscal year. Of the applications received, 99 percent were processed within the 45-day legislative standard, and 98 percent were processed within 30 days from the receipt of the last required document.

Disability

CalSTRS received 905 applications for disability benefits, representing an increase of almost 8 percent over the previous fiscal year. Of the applications received, 86 percent were processed within 180 days of receipt.



The whole life of man is but a point of time; let us enjoy it.

Plutarch

The work of the Continuing Qualifications and Vocational Rehabilitation programs resulted in 50 members returning to full-time employment, discontinuing their need to receive disability benefits.

Services to Members and Beneficiaries

Customer Service

The Call Center Customer Service Representatives responded to the questions and concerns of 248,080 customers. Another 106,162 customers selected alternative services provided within the CalSTRS' automated interactive voice response system. The average wait time for callers who opted to speak with a customer service representative was 31 seconds; 83 percent of all calls were answered in less than one minute.

The Correspondence Center staff responded to 27,990 e-mails, online messages, and postal correspondence and provided services to 2,282 members who visited the Member Service counter at the CalSTRS' Sacramento office. Staff responded to 77 percent of e-mails within one business day, with an average response time of seven hours, 73 percent of all correspondence was completed within three business days.

Member Communication

CalSTRS communicates twice a year with members and beneficiaries through the *CalSTRS Connections* and the *Retired Educator* newsletters.

CalSTRS Connections is mailed in spring and fall to active and inactive members. Issues contain helpful information on financial education, retirement planning, legislative summaries and articles concerning educators.

The *Retired Educator* is mailed in summer and winter to inform retired members and benefit recipients of matters of special interest to them.

The *Member Handbook* explains all CalSTRS programs. The handbook and single-topic brochures are mailed upon request, given to members during personal interviews, viewed or ordered from our Web site and made available

to employers. CalSTRS also mails the *Welcome to CalSTRS* brochure to newly hired educators.

Web Site

The CalSTRS Web site, www.calstrs.com, provides information for members, employers and CalSTRS business partners. Our Web site includes many useful features such as online calculators, which allow members to estimate their retirement benefit and calculate the cost to purchase service credit and to redeposit funds; financial education and workshop information; and a secure site for employers to provide county and school district personnel with pertinent information.

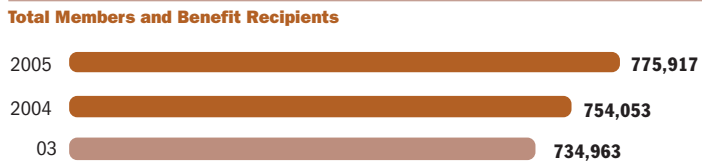
When visiting the CalSTRS Web site, CalSTRS members can register for a secure, online service called myCalSTRS. This tool provides a messaging function that allows members to send messages and receive e-mail through a secure site.

CalSTRS also administers a Web site entitled 403bCompare.com, which is a state-of-the-art personal investment tool. The site received the 2005 Leadership Recognition Award from the National Association of Government Defined Contribution Administrators for effective communication and for plan design and administration.

Users of the 403bCompare.com Web site can easily compare tax-deferred 403(b) retirement investment products such as annuities and mutual funds. Users of 403bCompare.com can search 403(b) products, place three of them side-by-side and compare their features, including fund descriptions, fees and returns.

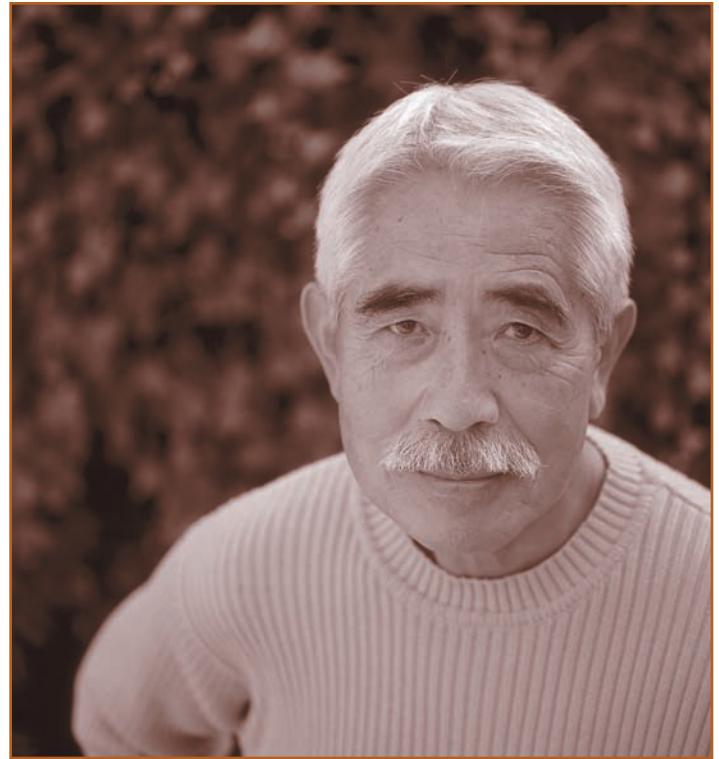
Benefits Counseling

CalSTRS provides members with the opportunity to meet with a Benefits Counselor for personalized assistance in retirement planning. CalSTRS counseling sessions can be beneficial to a member at any time during their teaching career. Members have the choice of meeting with a CalSTRS benefits counselor either face-to-face or over the telephone. Personal retirement counseling was provided to 35,533 members at over 30 locations throughout California. In addition, 1,955 members received retirement counseling through a telephone appointment.



Member Workshops

CalSTRS offers member workshops which are designed to meet the needs of members at their different career stages. Each workshop includes customized content designed specifically for members in the early or mid-career stages and covers basic details of CalSTRS benefits, retirement planning and personal financial planning. The late-career workshop includes specific retirement information focusing on the CalSTRS retirement formula, lifetime benefits for another person, post-retirement employment, and information sources for prospective retirees. CalSTRS will provide customized workshops by request. CalSTRS presented 595 workshops to 19,234 members. The workshop atmosphere encourages members to actively participate and to obtain answers to questions.



Optional Member Programs

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 on an hourly, daily or temporary basis, unless the employee also performs creditable service full-time in another position. Also, a person who performs trustee service for an employer who has elected to provide the Cash Balance Benefit Program may elect to participate for that service.

Voluntary Investment Program

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

Services to Employers, Member and Client Organizations

Two 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. 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. Since reaching consensus with the two committees on legislative proposals and policy issues is important to the Teachers' Retirement Board, CalSTRS employees schedule special meetings with both committees to work closely on plan design and other crucial member and employer issues.

CalSTRS staff also conducts field visits to individual counties and school districts. These visits provide specific information to the employer regarding CalSTRS' data reporting process and staff discusses 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.

In addition, CalSTRS outreach staff and benefits counselors attend meetings of school districts, academic associations and other constituent groups to conduct workshops and provide CalSTRS information. The venues include county fairs, annual conferences of academic organizations and meetings of union councils and school administrators.

In 2004–2005, staff and counselors attended 22 events and served more than 5,500 members.

*Time as he grows old teaches
many lessons.*

Aeschylus

Financial



California State Teachers' Retirement System

(A Component Unit of the State of California)

**Independent Auditor's Report,
Financial Statements, Required Supplementary
Information, and Other Supplemental Information**

For the Fiscal Year Ended June 30, 2005



MACIAS GINI & COMPANY LLP

3000 S Street, Ste. 300
Sacramento, California 95816

916.928.4600 PHONE
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INDEPENDENT AUDITOR'S REPORT

To the Teachers' Retirement Board of the
California State Teachers' Retirement System
Sacramento, California

We have audited the accompanying statement of fiduciary net assets of the California State Teachers' Retirement System (the System), a component unit of the State of California, as of June 30, 2005, and the related statement of changes in fiduciary net assets for the year then ended. 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. The prior year summarized comparative information has been derived from the System's 2004 financial statements on which our report dated September 24, 2004, expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the California State Teachers' Retirement System as of June 30, 2005, and the changes in fiduciary net assets for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 6, effective July 1, 2004, the System adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3.

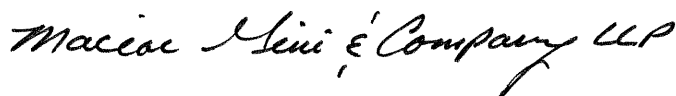
Financial

As described in Note 1, based on the most recent actuarial estimates as of June 30, 2004, the value of the Defined Benefit Program's actuarial accrued obligation exceeded the actuarial value of its assets by \$20.6 billion.

In accordance with *Government Auditing Standards*, we have issued our report dated September 23, 2005, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 14 through 17, the Schedule of Funding Progress on page 35 and the Schedule of Contributions from Employers and Other Contributing Entities on pages 36 through 37 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. As described on pages 35 and 36, the System revised certain actuarially determined amounts presented in the Schedule of Funding Progress and the Schedule of Contributions from Employers and Other Contributing Entities subsequent to the issuance of the June 30, 2005 financial statements to reflect data corrections identified. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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. The introductory section, other supplemental information in the financial section and the investments, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information in the financial section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, investments, actuarial and statistical sections have not been subjected to auditing procedures applied in the audit of the basic financials statements and, accordingly, we express no opinion on them.



Certified Public Accountants

Sacramento, California
September 23, 2005, except for the paragraph above
relating to required supplementary information,
as to which the date is May 12, 2006

California State Teachers' Retirement System Management's Discussion and Analysis (Unaudited) As of June 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2005. We designed the MD&A to focus on the current year's activities, resulting changes, and currently known facts, and we encourage you to read it in conjunction with the System's financial statements and notes to the financial statements.

The System is primarily responsible for administering retirement, disability, survivor and health benefits, as well as administering a supplemental retirement savings plan for California 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. Teachers' Retirement Fund (TRF)
2. Voluntary Investment Program (VIP)
3. Teachers' Health Benefits Fund (THBF)
4. Teachers' Replacement Benefits Program Fund (TRBPF)

FINANCIAL HIGHLIGHTS

- Net assets increased by \$13.5 billion or 12% to \$129.6 billion.
- Net investment income totaled \$14.1 billion, a decrease of \$2.5 billion or 15%.
- As of June 30, 2004, the System's Defined Benefit Program was estimated to be funded at 85% which was consistent with the funding level estimated as of June 30, 2003.
- Total contributions increased by \$846 million or 17% to \$5.7 billion.
- State Supplemental Benefit Maintenance Account contributions increased by \$526.0 million or 554% to \$620.9 million.
- Benefit payments increased by \$591 million or 11% to \$6.2 billion.
- Refund of members' contributions increased by \$5.2 million or 6% to \$94.1 million.
- In the THBF, the Medicare Premium Payment Program premiums paid for members totaled \$27.4 million.

OVERVIEW OF FINANCIAL STATEMENTS

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

Fund financial statements. The statements of fiduciary net assets presents 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 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 (Unaudited) As of June 30, 2005

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. Below we describe the information available in the notes to the financial statements.

- 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, cash and investment accounting policies, and other significant accounting policies.
- Note 3 describes investments, including disclosures required by the Governmental Accounting Standards Board (GASB) Statement Number 40, *Deposit and Investment Risk Disclosures*, which includes information about the System's investment risk related to credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk.
- Note 4 generally describes potential contingencies of the System.
- Note 5 provides a summary of significant commitments incurred by the System.
- Note 6 provides a summary of new accounting and financial reporting pronouncements.

Required supplementary information. The required supplementary 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. Other supplemental information includes detailed information on administrative expenses, investment expenses, and consultant and professional services expenses.

FINANCIAL ANALYSIS

Teachers' Retirement Fund (TRF). The Teachers' Retirement Fund is an employee benefit trust fund created to administer the State Teachers' Retirement Plan (STRP). The STRP 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.

The STRP net assets increased 12% during the fiscal year, from \$116.1 billion in 2004 to \$129.5 billion as of June 30, 2005. Investments, excluding securities lending collateral, increased by \$13.5 billion or 11% to \$130.8 billion as of June 30, 2005. At June 30, 2005, STRP held \$33.0 billion in debt securities, an increase of \$4.6 billion or 16% from fiscal year 2003-04. At June 30, 2005, STRP also held \$80.9 billion in U.S. and international equity securities, an increase of \$5.3 billion or 7% from fiscal year 2003-04. Remaining holdings in short-term, alternative, and real estate investments totaled \$16.9 billion at June 30, 2005, an increase of \$3.5 billion or 26% from fiscal year 2003-04. Net appreciation on investments totaled \$10.4 billion in fiscal year 2005 compared to \$13.8 billion fiscal year 2003-04, a decrease of \$3.4 billion or 25%. Further, as of June 30, 2005, the receivables and investments settlement balances both increased by over \$5 billion dollars from the June 30, 2004

California State Teachers' Retirement System Management's Discussion and Analysis (Unaudited) As of June 30, 2005

amounts. This increase is due to a change in market conditions that strengthened the U.S. dollar, which resulted in an increase in the hedging of foreign exchange contracts.

NET ASSETS

(Dollars in Thousands)

ASSETS	2005	2004	Percent Change
Investments ¹	\$153,433,187	\$134,373,050	14%
Cash and Cash Equivalents	175,854	186,878	(6)%
Receivables	7,303,410	1,837,139	298%
Other	2,002	1,716	17%
TOTAL ASSETS	160,914,453	136,398,783	18%
LIABILITIES			
Benefits in Process of Payment	551,520	511,375	8%
Investment Settlement	6,689,052	1,399,443	378%
Real Estate Leverage Program Obligation	879,480	921,889	(5)%
Other Liabilities	651,491	493,481	32%
Securities Lending Obligation	22,619,277	17,011,306	33%
TOTAL LIABILITIES	31,390,820	20,337,494	54%
TOTAL NET ASSETS	\$129,523,633	\$116,061,289	12%

¹ Includes securities lending collateral.

The System funds STRP benefits from employer, member and State contributions, and from investment earnings. During fiscal year 2004-05 member contributions increased by \$116.2 million or 5% while employer contributions increased by \$57.2 million or 3%. State contributions increased from \$548.7 million in fiscal year 2003-04 to \$1.2 billion in fiscal year 2004-05. This increase was the result of the State's general fund contributions for the Supplemental Benefit Maintenance Account resuming in fiscal year 2004-05 in the amount of \$620.9 million. In fiscal year 2003-04, the State's contributions for this account decreased as a result of special legislation in May 2003. The STRP experienced a net investment gain of \$14.1 billion in fiscal year 2004-05 compared with \$16.6 billion in fiscal year 2003-04.

CHANGES IN NET ASSETS

(Dollars in Thousands)

ADDITIONS	2005	2004	Percent Change
Member / Participant	\$2,326,536	\$2,210,310	5%
Employer	2,104,712	2,047,448	3%
State	1,218,614	548,686	122%
Investment / Other Income	14,128,986	16,605,271	(15)%
TOTAL ADDITIONS	19,778,848	21,411,715	(8)%
DEDUCTIONS			
Benefit Payments	6,133,873	5,545,531	11%
Refund of Contributions	87,969	82,456	7%
Administrative Expenses	94,662	94,767	0%
TOTAL DEDUCTIONS	6,316,504	5,722,754	10%
TOTAL CHANGES IN NET ASSETS	\$13,462,344	\$15,688,961	(14)%

Financial

California State Teachers' Retirement System Management's Discussion and Analysis (Unaudited) As of June 30, 2005

Deductions, which include benefit payments, refund of contributions and administrative expenses, totaled \$6.3 billion for the year. Growth in the number of new retirees increased benefit payments to \$6.1 billion, an increase of \$588 million or 11% over the prior year. Refund of contributions in fiscal year 2004-05 increased \$5.5 million or 7% to \$88.0 million. Administrative expenses in fiscal year 2004-05 decreased \$105 thousand or less than 1% to \$94.7 million.

The most recent actuarial estimation for the fiscal year ended June 30, 2004, indicates that the DB Program is underfunded, with 85% of the funds needed to pay the actuarial cost of the benefits accrued as of June 30, 2004. This estimated funding status remains unchanged from the estimated funding status as of June 30, 2003. The DB Program's estimated actuarial obligation exceeds actuarial assets by \$20.6 billion at June 30, 2004 compared to \$19.4 billion estimated at June 30, 2003. The most recent actuarial estimation indicates that the DB Program's expected future revenue will be insufficient to finance its obligations including amortization of the unfunded status over the next 30 years.

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 for VIP. This program's benefits are the accumulation of contributions and investment earnings credited to the member's account at the time of retirement, disability or termination of employment. Through the VIP, members have the opportunity to supplement their pension benefits. The VIP's June 30, 2005 investments increased by \$16.1 million or 17% and net assets increased by \$16.8 million or 18%. Contributions by members in fiscal year 2004-05 increased by \$844 thousand or 4% while investment income in fiscal year 2004-05 totaled \$6.1 million compared to \$9.8 million in fiscal year 2003-04, a decrease of \$3.6 million or 37%. Deductions from the VIP increased by \$829 thousand or 9% to \$9.7 million.

Teachers' Health Benefits Fund (THBF). The THBF is an employee benefit trust fund created to administer health benefit programs for members of the California State Teachers' Retirement System. The Medicare Premium Payment Program is the only program within the fund. This program pays Medicare Part A premiums and surcharges and Part B surcharges for members meeting certain eligibility criteria. The System funds this program on an as needed basis from current employer contributions, which increased by \$2.0 million or 7% to \$28.5 million during fiscal year 2004-05. The THBF paid benefits of \$27.4 million in fiscal year 2004-05 compared with \$25.6 million the prior year. The System invests the assets of the THBF in the State of California's Surplus Money Investment Fund and earned \$87 thousand in interest income for the fiscal year ended June 30, 2005.

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). Current employer contributions fund this benefit program on an as needed basis. The TRBPF received contributions of \$203 thousand to pay benefits during fiscal year 2004-05.

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
Statement of Fiduciary Net Assets
As of June 30, 2005 (with Comparative Totals as of June 30, 2004)
(Dollars in Thousands)

	Teachers' Retirement Fund	Voluntary Investment Program	Teachers' Health Benefits Fund	Teachers' Replacement Benefit Program Fund	Comparative Totals	
					2005	2004
Assets						
Investments, at fair value:						
Short term	\$ 1,395,275	\$ 22,687	\$ 1,626	\$ -	\$ 1,419,588	\$ 1,319,476
Debt securities	33,011,898				33,011,898	28,394,898
Equities:						
Directly held:						
Domestic	55,440,796	-	-	-	55,440,796	49,618,988
International	25,496,315	-	-	-	25,496,315	26,006,277
Mutual funds	-	88,497	-	-	88,497	70,675
Alternative	6,921,778	-	-	-	6,921,778	5,405,862
Real estate	8,547,848	-	-	-	8,547,848	6,641,895
Securities lending collateral	22,619,277	-	-	-	22,619,277	17,011,306
Total investments	153,433,187	111,184	1,626	-	153,545,997	134,469,377
Cash and cash equivalents	175,854	-	1	14	175,869	186,888
Receivables:						
Investments sold	598,442	-	-	-	598,442	369,721
Foreign currency contracts	5,635,523	-	-	-	5,635,523	550,861
Interest and dividends	449,238	56	29	-	449,323	384,051
Member, employer and other	620,207	783	1,048	-	622,038	534,032
Total receivables	7,303,410	839	1,077	-	7,305,326	1,838,665
Other assets	2,002	-	-	-	2,002	1,716
Total assets	160,914,453	112,023	2,704	14	161,029,194	136,496,646
Liabilities						
Investments purchase payable	1,228,253	-	-	-	1,228,253	842,445
Foreign currency contracts payable	5,460,799	-	-	-	5,460,799	556,998
Benefits in process of payment	551,520	-	-	14	551,534	511,388
Real estate leverage program obligation	879,480	-	-	-	879,480	921,889
Other liabilities	651,491	115	51	-	651,657	494,166
Securities lending obligation	22,619,277	-	-	-	22,619,277	17,011,306
Total liabilities	31,390,820	115	51	14	31,391,000	20,338,192
Net assets held in trust for pension benefits (a schedule of funding progress is presented in Schedule I)	\$ 129,523,633	\$ 111,908	\$ 2,653	\$ -	\$129,638,194	\$116,158,454

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

Financial

California State Teachers' Retirement System Statement of Changes in Fiduciary Net Assets For the Fiscal Year Ended June 30, 2005 (with Comparative Totals as of June 30, 2004) (Dollars in Thousands)

	Teachers' Retirement Fund	Voluntary Investment Program	Teachers' Health Benefits Fund	Teachers' Replacement Benefit Program Fund	Comparative Totals	
					2005	2004
Additions						
Contributions:						
Member	\$2,326,536	\$ 20,379	\$ -	\$ -	\$ 2,346,915	\$ 2,229,845
Employer	2,104,712	-	28,483	203	2,133,398	2,074,070
State of California	1,218,614	-	-	-	1,218,614	548,686
Total contributions	5,649,862	20,379	28,483	203	5,698,927	4,852,601
Investment income:						
Net appreciation in fair value of investments	10,358,928	4,281	-	-	10,363,209	13,799,562
Interest, dividends and other	3,813,029	1,862	87	-	3,814,978	2,831,465
Securities lending income	502,398	-	-	-	502,398	225,252
Less investment expenses:						
Cost of lending securities	(436,409)	-	-	-	(436,409)	(156,443)
Other investment expenses	(100,232)	-	-	-	(100,232)	(82,761)
Net investment income	14,137,714	6,143	87	-	14,143,944	16,617,075
Other (expense) income	(8,728)	-	(158)	-	(8,886)	(2,001)
Total additions	19,778,848	26,522	28,412	203	19,833,985	21,467,675
Deductions						
Retirement, disability, death and survivor benefits	5,912,602	2,645	27,416	203	5,942,866	5,349,421
Purchasing power benefits	221,271	-	-	-	221,271	223,501
Refunds of member contributions	87,969	6,131	-	-	94,100	88,896
Administrative expenses	94,662	917	429	-	96,008	95,947
Total deductions	6,316,504	9,693	27,845	203	6,354,245	5,757,765
Net increase	13,462,344	16,829	567	-	13,479,740	15,709,910
Net assets held in trust for pension benefits						
Beginning of the year	116,061,289	95,079	2,086	-	116,158,454	100,448,544
End of the year	\$129,523,633	\$ 111,908	\$ 2,653	\$ -	\$129,638,194	\$116,158,454

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. 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 established these plans and programs and the System as the administrator. The System is a component unit of the State of California. These financial statements include only the accounts of the System. The State of California includes the System's basic financial statements as a fiduciary fund in its financial statements. 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). STRP holds these assets for the exclusive purpose of providing benefits to members and beneficiaries of the DB Program, the DBS Program and the CB Benefit Program. Also, the System uses these assets to defray reasonable expenses of administering the STRP and the System.

STRP Defined Benefit Program (DB Program)

The DB Program is a defined benefit pension program. At June 30, 2005, there were approximately 1,300 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, 2004, membership consisted of:

Active Members	
Vested	275,008
Nonvested	169,672
Inactive members	116,128
Retirees and benefit recipients	193,245
Total members, retirees and beneficiaries	<u>754,053</u>

Information as of June 30, 2005 will not be available prior to December 2005.

California State Teachers' Retirement System Notes to the Basic Financial Statements (continued)

The DB Program provides defined retirement benefits based on members' final compensation, age, and years of credited service. In addition, the retirement program provides benefits to members upon disability, and to survivors / beneficiaries 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%.
- The System 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. The board determines the credited interest rate each fiscal year. For the year ended June 30, 2005, the rate of interest credited to members' accounts is 1.75%.

Purchasing power protection is provided to members of the DB Program through the Purchasing Power Protection Program. Annual distributions (in quarterly payments) to retired and disabled members and beneficiaries restore purchasing power to a minimum of 80% of the initial monthly allowance. The annual contribution needed to meet the obligation of the purchasing power protection program on an actuarial basis has not been determined. Funding for the Purchasing Power Protection Program is from School Lands Revenue and the Supplemental Benefit Maintenance Account (SBMA). Public Resources Code Section 6217.5 appropriates School Lands Revenue. The State is required to contribute 2.5% of prior fiscal year teacher payroll to fund the SBMA. In addition, the proceeds from the sale of the Elk Hills Naval Petroleum Reserve are appropriated in annual installments by the federal government to be deposited to the SBMA. In fiscal year 2004-05, the

California State Teachers' Retirement System

Notes to the Basic Financial Statements (continued)

State resumed the statutory SBMA contribution of \$584.9 million. In fiscal year ended June 30, 2004, special legislation reduced the State's contribution by \$500 million to \$58.9 million. The System has taken legal action to compel State to contribute the remaining \$500 million.

Required Contributions

Required member and employer contribution rates are set by the Teachers' Retirement Law. 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 is as follows:

- Members - 6% of applicable member earnings through December 31, 2010, increasing to 8% thereafter.
- Employers - 8.25% of applicable member earnings.
- 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 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 increased 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 actuarial obligation and no normal cost deficit for benefit plans in place as of July 1, 1990. Based on the most recent actuarial estimation, as of June 30, 2004, there is no normal cost deficit or unfunded obligation for benefits in place as of July 1, 1990. As a result, the General Fund is not required to contribute quarterly payments starting October 1, 2005, at the contribution rate of .0524%.

California State Teachers' Retirement System Notes to the Basic Financial Statements (continued)

In the most recent actuarial estimation as of June 30, 2004, the System's actuaries determined that, at June 30, 2004, the estimated value of the DB Program's actuarial accrued obligation exceeded the program's actuarial value of assets by \$20.6 billion. Based on this estimation, the current statutory contributions are equivalent to 17.499% of covered payroll and are sufficient to fund estimated normal cost (16.835% of covered payroll) but not expected to be sufficient to amortize the unfunded actuarial obligation. 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 experience that may differ from the actuarial assumptions.

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. In addition, beginning July 1, 2002, for service in excess of one year of services credit within one fiscal year, the member contributions of 8% and employer contributions of 8% are credited to the members' nominal DBS program account. Also, contributions for the compensation as a result of retirement incentives or limited term enhancements are credited to the members account. 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 5.00% for the fiscal year ended June 30, 2005. The Board may credit additional earnings to members' nominal accounts if actual investment earnings exceed the expected rate of return.

In the actuarial valuation, of the DBS Program's assets and liabilities as of June 30, 2004, the System's independent actuaries determined that the actuarial value of assets of the DBS Program exceeded the actuarial obligation by \$168.6 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 obligation may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions.

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 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 5.00% for the year ended June 30, 2005. The Board may credit additional earnings to members' nominal accounts if actual investment earnings exceed the expected rate of return.

California State Teachers' Retirement System

Notes to the Basic Financial Statements (continued)

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.

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, 2005, there were 28 contributing school districts and 21,445 contributing participants.

In their most recent actuarial valuation as of June 30, 2004, the System's independent actuaries determined that the actuarial value of assets of the CB Benefit Program exceeded the actuarial obligation by \$250 thousand. 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 obligation may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions.

Voluntary Investment Program (VIP)

The VIP (formerly STRS 403(b) Program) was established pursuant to Chapter 291, Statutes of 1994. Under the requirements of Internal Revenue Code (IRC) Section 403(b), the VIP is a tax-deferred defined contribution plan and is 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 establishes a maximum amount that can be contributed annually. At June 30, 2005, there were 3,519 plan participants and 403 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 Accounted Mutual Funds, Mutual Fund Window Account and Citi Institutional Liquid Reserves Fund. The Share Accounted Manager invests in various mutual funds. The Mutual Fund Window Account allows plan participants to select and invest in various domestic and international stock and mutual funds. The Citi Institutional Liquid Reserves 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 July 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 amount needed to finance the liabilities of the DB Program based on the June 30, 2000 actuarial valuation of the DB Program. Management believes the current source of

California State Teachers' Retirement System Notes to the Basic Financial Statements (continued)

THBF funding will be adequate to provide for the statutory THBF benefits. At June 30, 2005, there were 6,004 retirees participating in the THBF Medicare Premium Payment Program.

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) and initially funded during the year ended June 30, 2001, to provide benefits to the members of the System whose retirement benefit exceeds IRC limits.

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. During fiscal year 2004-05, there were 16 retirees participating in the TRBPF.

2. Summary of Significant Accounting Policies

Basis of Accounting

The System maintains its accounting records using the accrual basis of accounting. It recognizes member contributions in the period in which the contributions are due. Further, the System recognizes employer and State contributions when due and the employer or State has made a formal commitment to provide the contributions. Also, it recognizes benefits 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 financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain financial statement amounts and disclosures. 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, 2005, 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.

California State Teachers' Retirement System

Notes to the Basic Financial Statements (continued)

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.

The System presents, in the statement of changes in fiduciary net assets, the net appreciation 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 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. See Note 3, for our disclosures related to these risks.

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. The VIP and the THBF reimburse the STRP 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 statement of fiduciary net assets. The System also reports the income earned and costs of lending securities as investment expenses on the statement of changes in fiduciary net assets.

Reclassification

Certain reclassifications have been made to the comparative totals as of and for the year ended June 30, 2004 to conform to the presentation as of June 30, 2005.

California State Teachers' Retirement System Notes to the Basic Financial Statements (continued)

3. Deposits and Investments

Cash and cash equivalents are comprised of cash and other deposits with the State Treasury. The deposits in investment pools, administered by the State, represent various investments with average days to maturity of approximately 165 days, and is reported at amortized cost, which approximates fair value. The State Treasury pools these monies with the monies of other State agencies for investing.

The investment in the Short-term Investment Fund, administered by State Street Bank, represents various investments with average days to maturity of approximately 29 days, and is reported at amortized cost which approximates fair value.

The repurchase agreement transactions as of June 30, 2005, have underlying collateral with fair values of approximately 102% of the cost of the repurchase agreement. The agreed-upon yields were 2.25% with maturity dates through July 1, 2005.

In fiscal year 2002-03, 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 \$275.0 million, net (collectively, the Leverage Program Obligation). The System used the proceeds from the Leverage Program Obligation to purchase various investments. At June 30, 2005, the ratio of the Leverage Program Obligation to the fair value of the underlying collateral of real estate properties was 27.4%. At June 30, 2005, the outstanding amount on the revolving line of credit was \$275.0 million, which matures in January 2006. Approximately \$365.1 million and \$240.3 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, 2005, the annual interest rates ranged from 3.1% to 4.9%.

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 loaned, respectively. 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, 2005, the weighted duration difference between the investments and these loans was 10 days. As of June 30, 2005, 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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized statistical rating organizations.

California State Teachers' Retirement System

Notes to the Basic Financial Statements (continued)

The System's Investment Guidelines require that the lowest long-term credit rating of securities eligible for purchase by the internally managed fixed income assets be Baa3 by Moody's Investor Services or BBB- by Standard and Poor's Corporation (i.e., investment grade by at least one major rating agency). Furthermore, the total position of the outstanding debt of any one issuer shall be limited to ten-percent (10%) of the market value of the portfolio. The Investment Guidelines also include an allocation to high yield assets which are managed externally and allow for the purchase of bonds rated below investment grade. Limitations regarding the amount of debt of any one issuer a manager may hold is negotiated on a manager by manager basis.

Below is a table which depicts the fixed income and short-term assets as well as the securities lending collateral by credit rating as of June 30, 2005:

Fixed Income and Short-Term

(Dollars in Thousands)

Ratings	Securitized Obligations	Credit Obligations	International Government	Money Market Securities	PMIA	U.S. Government	Total
AAA	\$ 12,608,304	\$ 891,004	\$ 20,769	\$ -	\$ -	\$ -	\$ 13,520,077
A-1	-	-	-	874,765	-	-	874,765
AA	50,762	830,191	202,120	-	-	-	1,083,073
A	63,160	3,446,364	130,130	120,000	-	-	3,759,654
BBB	66,467	2,621,397	229,438	-	-	-	2,917,302
BB	7,367	1,092,314	-	-	-	-	1,099,681
B	18,488	1,585,874	-	-	-	-	1,604,362
CCC	5,865	214,498	-	-	-	-	220,363
NR	49,750	5,463	-	-	247,574	-	302,787
NA	-	-	-	-	-	9,025,109	9,025,109
Total	\$ 12,870,163	\$ 10,687,105	\$ 582,457	\$ 994,765	\$ 247,574	\$ 9,025,109	\$ 34,407,173

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government, are not considered to have credit risk and do not require disclosure of credit quality. NR represents those securities that are not rated and NA represents those securities that are not applicable to the rating disclosure requirements.

Securities Lending Collateral

(Dollars in Thousands)

Ratings	Money Market Securities	Repurchase Agreements	Short Term Investment Fund	Corporate Floating Rate Notes	Agency Callable Obligations	Asset Backed	Total
AAA	\$ -	\$ -	\$ -	\$ 885,919	\$ 600,950	\$ 6,133,651	\$ 7,620,520
A-1	2,077,198	729,000	-	-	-	4,659	2,810,857
AA	386,052	1,247,000	-	1,105,180	-	-	2,738,232
A	1,125,526	558,196	-	4,684,012	-	164,969	6,532,703
BBB	-	-	-	36,999	-	-	36,999
NR	611,170	1,084,789	248,265	632,873	-	370,248	2,947,345
Total	\$ 4,199,946	\$ 3,618,985	\$ 248,265	\$ 7,344,983	\$ 600,950	\$ 6,673,527	\$ 22,686,656

Note: The total above excludes cash and accruals in the amount of negative \$67,379 (in thousands) which is included in the securities lending collateral line item in the statement of fiduciary net assets.

Financial

California State Teachers' Retirement System Notes to the Basic Financial Statements (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Investment Guidelines allow the internally managed long-term investment grade portfolios the discretion to deviate within +/- .50 years from the effective duration of the relevant Lehman Brothers benchmark. The permissible range of deviation for the effective duration within the high yield portfolios is negotiated with each of the high yield managers and detailed within the Investment Guidelines.

The Investment Guidelines state that 50% of the portfolio shall reflect an expected maturity, 1st call date or 1st reset date to be within a 0-30 day range and/or in U.S. Government and Agency Obligations.

Investments may contain terms that increase the sensitivity of their fair values to increasing and decreasing interest rates. Although the System has investments in securitized obligations, which have an inherent prepayment risk, this is mitigated through the diversification of asset classes, security selection, and credit quality.

Below is a table depicting the duration of the long-term fixed income assets portfolio vs. the benchmark in years as of June 30, 2005:

Long-Term Fixed Income Investments

Duration

(Dollars in Thousands)

Investment Type (by portfolio)	Portfolio Net Asset Value	Effective Duration	Benchmark Duration	Difference
US Government and Agency Obligations	\$ 8,066,427	4.97	4.80	0.17
Credit Obligations				
Corporate	8,078,651	5.83	5.90	(0.07)
High Yield	2,748,841	3.95	4.57	(0.62)
Securitized Obligations				
Asset Backed Securities	825,092	2.64	2.52	0.12
Commercial Mortgage Backed Securities	860,813	4.39	4.47	(0.08)
Mortgage Backed Securities	11,062,286	2.22	2.17	0.05
Total Market Value with Weighted Avg. Duration	\$ 31,642,110	4.19	4.13	0.06

The above table represents the net asset value of the long-term fixed income portfolio, which includes cash and accruals that are excluded from the total investments line item of the statement of fiduciary net assets.

The investment objective for the short-term fixed income portfolio is to seek the preservation of capital and liquidity.

California State Teachers' Retirement System Notes to the Basic Financial Statements (continued)

Below is a table depicting the segmented time distribution for the short-term fixed income assets based upon the expected maturity, 1st call date and/or 1st reset date, as of June 30, 2005:

Short-Term Fixed Income Investments

Segmented Time Distribution

(Dollars in Thousands)

Investment Type (by portfolio)	0-30 days	31-90 days	91-120 days	121-180 days	181-365 days	365+ days	Total
Money Market Securities	\$ 872,765	\$ 112,838	\$ -	\$ -	\$ -	\$ -	\$ 985,603
PMIA	247,574	-	-	-	-	-	247,574
Credit Obligations							
Corporate Bonds	-	-	-	-	4,999	24,972	29,971
Corporate Floating Rate Notes	466,713	418,220	27,997	-	-	-	912,930
US Government and Agency Obligations							
Bullets (Noncallables)	-	-	-	-	50,056	54,707	104,763
Discount Notes	-	99,737	-	-	-	-	99,737
Callable	8,000	318,987	148,997	26,500	-	-	502,484
US Treasury	-	-	-	-	75,241	-	75,241
Asset Backed Securities	59,850	73,670	2,850	-	19,999	-	156,369
Totals	\$ 1,654,902	\$ 1,023,452	\$ 179,844	\$ 26,500	\$ 150,295	\$ 79,679	\$ 3,114,672
Weightings	53.13%	32.86%	5.77%	0.85%	4.83%	2.56%	100.00%

Securities lending cash collateral assets are diversified among different asset classes with the maximum remaining effective maturity of any instrument being five years. The portfolios must remain liquid to meet collateral returns. Below is a table depicting the segmented time distribution based upon the expected maturity, 1st call date and/or 1st reset date, as of June 30, 2005:

Securities Lending Collateral - Segmented Time Distribution

(Dollars in Thousands)

Investment Type (by portfolio)	0-1 days	2-6 days	7-29 days	30-59 days	60-89 days	90+ days	Total
Money Market Securities	\$ 830,312	\$ 49,989	\$ 846,380	\$ 1,297,454	\$ 933,875	\$ 241,936	\$ 4,199,946
Repurchase Agreements	3,418,985	200,000	-	-	-	-	3,618,985
Short Term Investment Fund	248,265	-	-	-	-	-	248,265
Corporate Floating Rate Notes	1,959,696	67,000	1,806,511	1,706,819	1,489,957	315,000	7,344,983
Agency Callable Obligations	-	-	159,980	159,987	149,983	131,000	600,950
Asset Backed Securities	25,496	18,600	3,590,860	816,163	1,620,623	601,785	6,673,527
Totals	\$ 6,482,754	\$ 335,589	\$ 6,403,731	\$ 3,980,423	\$ 4,194,438	\$ 1,289,721	\$ 22,686,656
Weightings	28.58%	1.48%	28.23%	17.55%	18.49%	5.68%	100.00%

Note: The total above excludes cash and accruals in the amount of negative \$67,379 (in thousands) which is included in the securities lending collateral line item in the statement of fiduciary net assets.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2005, the System has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded. There are no general policies addressing the concentration of credit risk, however there are guidelines related to specific investment transactions.

Financial

California State Teachers' Retirement System Notes to the Basic Financial Statements (continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event a financial institution or counterparty fails, the System would not be able to recover the value of its deposits, investments, or collateral securities. As of June 30, 2005, all of the System's investments are held in the System's name and are not exposed to custodial credit risk. There are no general policies relating to the custodial credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The System's foreign currencies and investments at June 30, 2005, as shown in the table below, were distributed among the following:

Foreign Currency Risk

(Dollars in Thousands)

(In U.S. Dollar Equivalents)

Currency Name	Cash	Equity	Pending Foreign Currency Exchanges	Total Exposure
Argentine Peso	\$ -	\$ 13	\$ -	\$ 13
Australian Dollar	9,291	1,059,691	(4,265)	1,064,717
Brazilian Real	6,329	435,494	-	441,823
Canadian Dollar	5,793	140,616	4,835	151,244
Chilean Peso	601	14,791	-	15,392
Czech Koruna	1	24,822	-	24,823
Danish Krone	2,126	146,734	(2,554)	146,306
Euro Dollar	32,513	8,876,093	(2,376,020)	6,532,586
Hong Kong Dollar	3,651	585,980	2,031	591,662
Hungarian Forint	493	24,564	-	25,057
Indonesian Rupiah	535	125,751	-	126,286
Israeli Shekel	1,178	88,071	-	89,249
Japanese Yen	46,389	4,894,237	(21,140)	4,919,486
Malaysian Ringgit	1,739	80,109	-	81,848
Mexican Peso	3,279	324,016	-	327,295
New Taiwan Dollar	871	319,405	-	320,276
New Turkish Lira	1,827	80,171	-	81,998
New Zealand Dollar	94	43,419	-	43,513
Norwegian Krone	259	160,098	1,286	161,643
Philippine Peso	3	51,121	-	51,124
Polish Zloty	203	16,350	-	16,553
Pound Sterling	24,168	5,482,603	(71,441)	5,435,330
Singapore Dollar	411	225,956	47	226,414
South African Rand	10,397	371,396	(1,918)	379,875
South Korean Won	322	513,725	-	514,047
Swedish Krona	701	492,738	(4,059)	489,380
Swiss Franc	496	1,647,244	(536,793)	1,110,947
Thailand Baht	2,617	124,363	-	126,980
Yuan Renminbi	-	4,345	-	4,345
Total	\$ 156,287	\$ 26,353,916	\$ (3,009,991)	\$ 23,500,212

California State Teachers' Retirement System

Notes to the Basic Financial Statements (continued)

The table on the previous page represents securities purchased in a foreign currency. The equity figures are comprised of numerous portfolios within the international equity, alternative, and real estate investment line items on the statement of fiduciary net assets.

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 accounts until it is able to be repatriated or expended.

The System believes that its Currency Management Program should emphasize the protection of the value of its non-dollar public and private (i.e. international debt and equity, alternative investments and real estate) equity assets against a strengthening U.S. dollar. The active non-dollar equity managers are permitted to hedge their assets, and do so in the process of implementing their investment strategies. The System's fixed income staff develops and implements the System's currency hedging strategy for the passively managed equity portion. The System's fixed income staff may reduce the risk by hedging up to 50% of the total market value of the passively managed segment of the non-dollar equity portfolio. In addition, no more than 100% of each individual currency may be hedged.

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 matters 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 the alternative investment portfolio and the real estate portfolio, the STRP has remaining unfunded commitments of approximately \$5.9 billion and \$5.1 billion, respectively, at June 30, 2005.

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, 2005, the STRP had commitments of approximately \$1.9 billion expiring through November 2010. The STRP is paid a fee over the term of such agreements and earned approximately \$5.8 million for the year ended June 30, 2005.

6. New Accounting Pronouncements

During fiscal year 2004-05, the system implemented the requirements of GASB Statement 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statements No. 3* into Note 3 of its financial statements. This new pronouncement establishes and modifies previous custodial credit risk disclosure requirements and establishes more comprehensive disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk.

California State Teachers' Retirement System Notes to the Basic Financial Statements (continued)

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, provides uniform financial reporting standards for plans that provide postemployment benefits such as healthcare benefits. The statement, will require the System to obtain actuarial valuations, and report in its financial statements the funded status and funding progress of the Teachers' Health Benefits Fund. Management is currently evaluating GASB Statement No. 43, and if applicable, it will be implemented in the financial statements for fiscal year 2006-07.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section an amendment of NCGA Statement 1*, improves consistency and comparability in reporting and provides clearer guidance regarding the applicability of the standards for the statistical section to all types of governmental entities. Management is currently evaluating GASB Statement No. 44, and will implement it for fiscal year 2005-06.



Required Supplementary Information—Unaudited

Financial

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

Schedule I

The information presented in Supplementary Schedules I and II was determined as part of the actuarial valuations at June 30, 2004 except where noted. For the years ended June 30, 2001, and 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						
2005	(1)	(1)	(1)	(1)	(1)	(1)
2004 ⁽⁴⁾	\$ 114,094	\$ 134,677	\$ 20,583	85 %	\$ 22,591	91 %
2003 ⁽⁴⁾	108,667	128,104	19,437	85 %	22,649	86 %
2002	(2)	(2)	(2)	(2)	(2)	(2)
2001	107,654	109,881	2,227	98 %	20,585	11 %
2000	102,225	93,124	(9,101)	110 %	18,224	(50)%
Cash Balance Benefit Program						
2005	(1)	(1)	(1)	(1)	(1)	(1)
2004	\$ 42	\$ 42	\$ 0	101 %	\$ 96	0 %
2003	30	34	4	89 %	81	5 %
2002	22	25	3	87 %	90	4 %
2001	16	17	1	93 %	98	1 %
2000	11	10	(1)	105 %	71	(1)%
Defined Benefit Supplement Program⁽³⁾						
2005	(1)	(1)	(1)	(1)	(1)	(1)
2004	\$ 2,204	\$ 2,035	\$ (169)	108 %	\$ 23,763	(0.71)%
2003	1,311	1,358	47	97 %	23,865	0.20 %
2002	660	711	51	93 %	21,732	0.20 %
2001	207	213	6	97 %	20,585	0.03 %

- (1) Actuarial valuations as of June 30, 2005, are expected to be available by summer of 2006.
- (2) Except for years ended June 30, 2000 and 2004 actuarial valuations were not prepared in even numbered years. No estimation using actuarial methodology is made in years between valuations.
- (3) 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.
- (4) Actuarial accrued liability and covered payroll figures for 2003 and 2004 were revised on an estimated basis in 2006 to reflect data corrections.

Note: The benefits under the Purchasing Power Protection Program are not guaranteed by law; only the contributions for this are guaranteed. An actuarial valuation has not been completed for the Purchasing Power Protection Program. Contribution and funding under this program are not made on an actuarial basis and items required under this schedule have not been determined. Therefore a schedule of funding progress for the Purchasing Power Protection Program is not presented.

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 Contributions	Contributed By Employers⁽¹⁾	Contributed By the State⁽²⁾	Total Contributed	Percentage Contributed
	(a)	(b)	(c)	(b) + (c)	(b + c)/a
Defined Benefit Program⁽³⁾⁽⁶⁾					
2005	\$ 3,709	\$ 2,002	\$ 595	\$ 2,597	70%
2004	3,410	1,916	451	2,367	69%
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%
Cash Balance Benefit Program⁽³⁾					
2005	\$ 4.48	\$ 4.49	0	\$ 4.49	100%
2004	4.05	3.85	0	3.85	95%
2003	3.59	3.59	0	3.59	100%
2002	3.58	3.58	0	3.58	100%
2001	3.04	3.04	0	3.04	100%
2000	2.37	2.37	0	2.37	100%
Defined Benefit Supplement Program⁽³⁾					
2005	\$ 86	\$ 96	0	\$ 96	111%
2004	128	125	0	125	98%
2003	72	72	0	72	100%
Purchasing Power Protection Program⁽⁴⁾⁽⁵⁾					
2005	\$ 626	\$ 2	\$ 624	\$ 626	100%
2004	601	3	98	101	17%

(1) For the DB Program for the years ended June 30, 2000 and thereafter, amounts include employer contributions under Education Code Sections 22135, 22714 (less amounts deposited in the SBMA) and 22718.

(2) The DB and Purchasing Power Protection Programs include State contributions under Education Code Section 22954 and 22955.

(3) For the determination of the Annual Required Contribution, an amortization period of 30 years is used for the Unfunded Actuarial Accrued Liability.

(4) Certain reclassifications of our previous presentations of the Purchasing Power Protection Program for fiscal year 2003-04 were made to be consistent with this year's presentation. The amount included in the "Contributed by State" column includes a \$36 million federal payment from the sale of the Elk Hills Petroleum Reserve.

(5) An ARC has not been determined for the Purchasing Power Protection Program. The amount given is the contractual amount for all entities.

(6) The ARC's for 2005 and 2004 were revised on an estimated basis to reflect data corrections.

Financial

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

Schedule II (Continued)

Additional information as of the June 30, 2004 actuarial valuations are as follows:

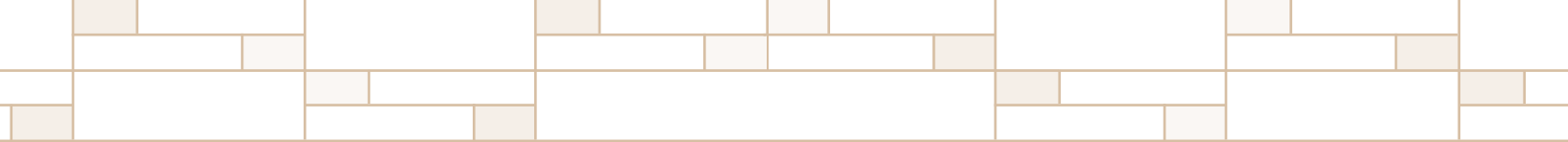
DB Program

Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of payroll
Amortization Period	Open
Remaining Amortization Period	Not amortizable based on current statutory contribution rates
Asset Valuation Method	Expected value with 1/3 of the adjustment to market value
Actuarial Assumptions:	
Investment rate of return	8.00%
Interest on accounts	6.00%
Projected salary increases	4.25%
Consumer price inflation	3.25%
Post-retirement benefit increases	2.00% simple

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	3.25%	3.25%
Post-retirement benefit increases	Not applicable	Not applicable



Other Supplemental Information

Financial

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Administrative Expenses
(Dollars in Thousands)

Schedule III

Personnel services:

Salaries and wages	\$ 33,438
Staff benefits	11,900
Accrued vacation	734
Accrued workers' compensation expense	223
Accrued personal leave expense	(58)
Total personnel services	<u>46,237</u>

Operating expenses and equipment:

General expense	2,907
Depreciation expense	500
Printing	1,417
Communications	968
Postage	985
Insurance	138
Travel	373
Training	279
Facilities operations	7,149
Consultants and professional services	23,380
Consolidated data center:	
Consultants and professional services	6,306
Data processing:	
Consultants and professional services	928
Software and other	781
Indirect State central services	6,109
Equipment	27
Other	3
Total operating expenses and equipment	<u>52,250</u>
Total current year expenses	<u>98,487</u>

Prior year expenses, net

Total

(3,825)
\$ 94,662

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Investment Expenses from Continuous Appropriation
(Dollars in Thousands)

Schedule IV

External Equity Managers:

Domestic:

Ariel Capital Management	\$ 4,492
Barclays Global Investors	1,708
Brown Capital Management, Inc.	612
Chicago Equity Partners	1,631
Delaware Investment Advisors	302
Delphi Management, Inc.	1,577
Denver Investment Advisor, Inc.	824
DSI International Management, Inc.	294
First Quadrant	2,989
FIS Funds Management, Inc.	929
Frank Russell Trust Co.	933
Mellon Capital Management	596
NCM Capital Management Group, Inc.	870
Northern Trust Funds Mgmt	950
Sasco Capital, Inc.	5,959
Sterling Capital Management, LLC	124
State Street Global Advisors	1,123
TCW Asset Management	575
UBS Global Asset Management	899
Total Domestic	<u>27,387</u>

International:

Bank of Ireland	1,766
Barclays Global Investors	1,105
Battery March	1,467
Blackrock International Ltd.	1,271
Capital Guardian Trust	4,909
Fidelity Management Trust Co.	2,493
Fiduciary Trust International	2,043
Goldman Sachs	1,620
Lazard Freres Asset Management	2,840
Marvin & Palmer Associates, Inc.	864
Mondrian Investment Partners	2,218
Morgan Stanley	1,978
Nicholas Applegate	1,938
Oechsle International Advisors	3,895
Schroder Capital Management Investment, Ltd.	1,766
State Street Global Advisors	2,466
UBS Global Asset Management	2,398
Total International	<u>37,037</u>

Total External Equity Managers	<u>64,424</u>
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Financial

California State Teachers' Retirement System State Teachers' Retirement Plan Schedule of Investment Expenses from Continuous Appropriation (Dollars in Thousands) Schedule IV (Continued)

External Fixed Income Managers:

Capital Guardian Trust Company	\$ 779
Hartford Investment Management Company	893
MW Post Advisory Group, LLC	1,533
Seix Investment Advisors	1,289
Shenkman Capital Management	1,658
Total Fixed Income Managers	<u>6,152</u>

Real Estate Managers/Advisors:

CB Richard Ellis	8,627
Clarion Partners	1,131
Heitman Capital Mgmt, LLC	2,111
Lowe Enterprises	789
Principal Global Investors	2,199
SSR/Blackrock Realty Advisors	2,935
Thomas Properties	1,094
Total Real Estate Managers/Advisors	<u>18,886</u>

Advisors and Consultants:

Angeles Investment Advisors	38
Altius Associates	445
Bard Consulting	320
Bonuccelli & Associates, Inc	57
Callan Associates	55
Cambridge Associates, LLC	2,272
Courtland Partners, LTD	175
Ennis Knupp & Associates	34
Houlihan Loke Howard & Zukin	376
Independent Fiduciary Services, Inc.	25
KPMG, LLP	405
Marsh Risk & Insurance Service	24
McKinsey & Company, Inc. Uni	518
Pacific Corporate Group	51
Pension Consulting Alliance	1,213
Sarofim Realty	1
Warren, McVeigh & Griffin, Inc.	28
Westwood Consulting Group	125
Total Advisors and Consultants	<u>6,162</u>

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Investment Expenses from Continuous Appropriation
(Dollars in Thousands) **Schedule IV (Continued)**

Attorneys, Master Custodian and Insurers:

Cox, Castle & Nicholson	\$ 111
Grant & Eisenhofer, P.A.	15
Groom Law Group	174
Robert Driver Ins. Brokerage	(1)
Sheppard, Mullin, Richter & Hampton, LLP	6
State Street Bank & Trust Co.	3,111
Testa, Hurwitz & Thibault, LLP	5
Tuchow Associates	4
Valuation Research Corp.	248
Total Attorneys, Master Custodian and Insurers	3,673

Other Expenses:

CSUS Foundation	206
Man Power	71
Miscellaneous	124
State Controller's Office	10
State Personnel Board	1
Stephen Teale Data Center	21
Travel	502
Total Other Expenses	935
Total	\$100,232

Financial

California State Teachers' Retirement System State Teachers' Retirement Plan Schedule of Consultant and Professional Services Expenses (Dollars in Thousands)

Schedule V

Individual or Firm	Commission/ Fee	Nature of Services
Consulting and professional services:		
Alameda County Office of Education	\$ 90	Regional Counseling Services
Aspen Computer Solutions	430	Consulting Services
The Ballard Group	1,054	Consulting Services
Business Advantage Consulting, Inc.	162	Consulting Services
California State University Foundation	636	Consulting Services
CitiStreet Advisors, LLC	89	Consulting Services
Coastline Technology	400	Consulting Services
Contra Costa County Office of Education	114	Regional Counseling Services
Convansys Corporation	126	Consulting Services
Dee Hanford	14	Consulting Services
Department of General Services	30	Consulting Services
Department of Justice	332	Legal Services
Eclipse Solutions, Inc.	295	Consulting Services
EJC Consulting	89	Consulting Services
Elk Grove Unified School District	55	Regional Counseling Services
Employment Development Department	75	Consulting Services
Estrada Consulting, Inc.	99	Consulting Services
Filenet Corporation	186	Consulting Services
Forward Solutions	910	Consulting Services
Fresno County Office of Education	75	Regional Counseling Services
Gabriel, Roeder, Smith and Company	19	Consulting Services
Graphic Focus	29	Consulting Services
Hanson, Bridgett, Marcus, Vlahos	54	Consulting Services
Hareline Graphics	27	Consulting Services
H. L. Yoh, Company, LLC	326	Consulting Services
The Highland Consulting	450	Consulting Services
Hogan and Hartson	194	Consulting Services
IME IVE	10	Consulting Services
Inforce, Inc.	887	Consulting Services
Information Technology	225	Consulting Services
International Network, LLC	624	Consulting Services
Jaykumar Maistry	1,334	Consulting Services
Jeve Consulting, Inc.	159	Consulting Services
Kearnford Application Systems	26	Consulting Services
Kern County Superintendent of Schools	176	Regional Counseling Services
KPMG, LLP	41	Consulting Services
Liebman & Associates	38	Consulting Services
Los Angeles County Supt. of Schools	534	Consulting Services
Macias, Gini and Company	101	Audit Services
Madsen Rayner Consulting, LLC	212	Consulting Services
Manpower	46	Consulting Services
Mara Consulting	431	Consulting Services
Marketware Technologies	54	Consulting Services
Mercer Human Resource Consulting	36	Consulting Services
Milliman USA	214	Consulting Services
Monterey County Office of Education	56	Regional Counseling Services
Montridge Consulting	125	Consulting Services

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Consultant and Professional Services Expenses
(Dollars in Thousands) **Schedule V (Continued)**

Individual or Firm	Commission/ Fee	Nature of Services
Consulting and professional services (continued):		
MSX International	\$ 142	Consulting Services
Nanran	1,497	Consulting Services
Network Design Associates	106	Consulting Services
Olsen, Hagel & Fishburn, LLP	209	Regional Counseling Services
Orange County Department of Education	212	Regional Counseling Services
Personal Enterprises, Inc.	210	Consulting Services
Placer County Office of Education	64	Regional Counseling Services
Pleasanton Unified School District	98	Regional Counseling Services
Princeton Solutions Group	541	Consulting Services
Q Data Consulting	199	Consulting Services
Quest Media & Supplies	174	Consulting Services
Rapidigm	163	Consulting Services
Rene Ewing and Associates	42	Consulting Services
RS Computer Associates, LLC	331	Consulting Services
Russbo, Incorporated	310	Consulting Services
San Bernardino County Office of Education	124	Regional Counseling Services
San Diego County Office of Education	146	Regional Counseling Services
San Francisco County Office of Education	45	Regional Counseling Services
San Joaquin County Office of Education	84	Regional Counseling Services
San Jose County Office of Education	167	Regional Counseling Services
San Juan Unified School District	125	Regional Counseling Services
San Mateo-Foster School District	65	Regional Counseling Services
Santa Barbara County Office of Education	79	Regional Counseling Services
Santa Cruz County Office of Education	71	Regional Counseling Services
Shasta County Office of Education	111	Regional Counseling Services
Shiva Systems	132	Consulting Services
Sierra Metrics, Inc.	585	Consulting Services
Software AG, Inc.	630	Consulting Services
Solano County Office of Education	51	Regional Counseling Services
Sonoma County Office of Education	98	Regional Counseling Services
Stanislaus County Office of Education	63	Regional Counseling Services
State Controller's Office	861	Consulting Services
Synergex	12	Consulting Services
Synergy Consulting, Inc.	667	Consulting Services
Thomas V. Ennis Consulting	162	Consulting Services
Thomas/Ferrous	39	Consulting Services
TLM Communications	38	Consulting Services
Tulare County Superintendent of Schools	58	Regional Counseling Services
Ventura County Superintendent of Schools	52	Regional Counseling Services
Venturi Technology Partners	288	Consulting Services
Verizon Select Services, Inc.	198	Consulting Services
Visionary Integration	1,001	Consulting Services
Visual Communications	32	Consulting Services
W.O.B. Management	17	Consulting Services
Worldgroup Consulting, Inc.	516	Consulting Services
Wozniak Consultancy	64	Consulting Services
Wright On-Line Systems	604	Consulting Services
Yuba County Office of Education	50	Regional Counseling Services
Other	158	Various Services under \$10
	23,380	

Financial

California State Teachers' Retirement System
State Teachers' Retirement Plan
Schedule of Consultant and Professional Services Expenses
(Dollars in Thousands) **Schedule V (Continued)**

Individual or Firm	Commission/ Fee	Nature of Services
Data Processing:		
Compucom Systems, Inc.	\$ 14	Data Processing
IBM Corporation - F05	34	Data Processing
Kearmford Application Systems	147	Data Processing
Linda Rogers and Associates	224	Data Processing
Quest Media and Supplies	21	Data Processing
Thomas/Ferrous	296	Data Processing
Verizon Select Services, Inc.	118	Data Processing
Witness Systems	22	Data Processing
Other	52	Various services under \$10
	928	
Consolidated Data Center:		
Health and Welfare Data Center	17	Data Processing
Stephen P. Teale Data Center	6,289	Data Processing
	6,306	
Total consultant and professional services expenses	\$ 30,614	

California State Teachers' Retirement System
Voluntary Investment Program
Schedule of Administrative Expenses
(Dollars in Thousands)

Schedule VI

CitiStreet administrative fee	\$ 754
STRS administrative/sponsor fees	143
Loan fees	1
Mutual fund fees	18
Redemption fees	1
Total	<u>\$ 917</u>

Financial

California State Teachers' Retirement System
Teachers' Health Benefits Fund
Schedule of Administrative Expenses
(Dollars in Thousands)

Schedule VII

Personnel services:

Salaries and wages	\$	132
Staff benefits		49
Personal leave expense		3
Accrued vacations		(15)
Total personnel services		<u>169</u>

Operating expenses and equipment:

General expense		200
Communications		3
Travel		2
Facilities operations		22
Consultant and professional services		28
Indirect State central services		5
Total operating expenses and equipment		<u>260</u>
Total	\$	<u>429</u>

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Investments



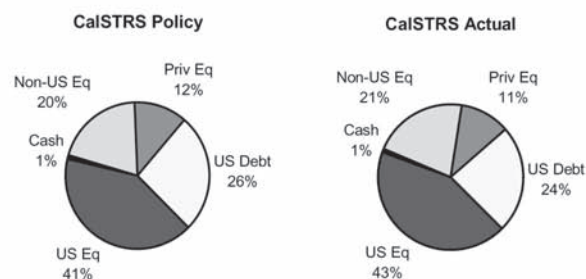
Investment Consultant's Report



The CalSTRS investment portfolio increased by \$13.4 billion over the past twelve months ending with a value of \$129.6 billion on June 30, 2005. 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.

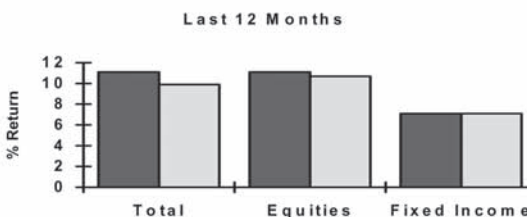
Investment Allocation

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 2004-2005 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. US Equity and Non-US Equity are slightly over weighted while Private Equity and US Debt are underweighted (see right pie chart). Gains in the domestic public equity markets over recent periods contributed to the overweighting of the US Equity asset class. In addition, the major asset classes may be strategically overweight versus their policy target(s) to compensate for the difficulty of rapidly funding the private equity asset class.

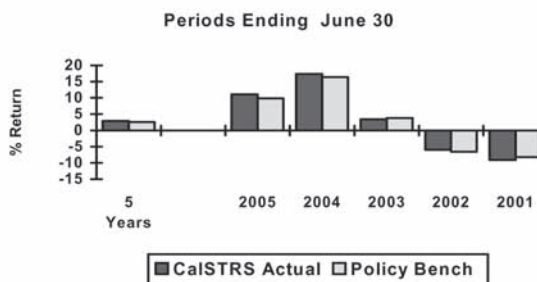


Investment Results

Over the last year, the CalSTRS investment portfolio produced a strong absolute return of 11.1% ranking in the top quartile among its large public pension fund peers¹ (top bar chart). During this period, portfolio results exceeded the policy benchmark return by 1.2%.² Relative outperformance by the US Equity and Private Equity asset classes contributed significantly to this result.



During the last three years, CalSTRS' portfolio generated a 10.5% return outperforming the policy benchmark by 60 basis points per year and ranking in the top quartile vs. their peer funds. Over the last five years, the CalSTRS investment portfolio produced an average annual return of 2.9%, exceeding its policy benchmark by 30 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 years for periods ending June 30.³



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.

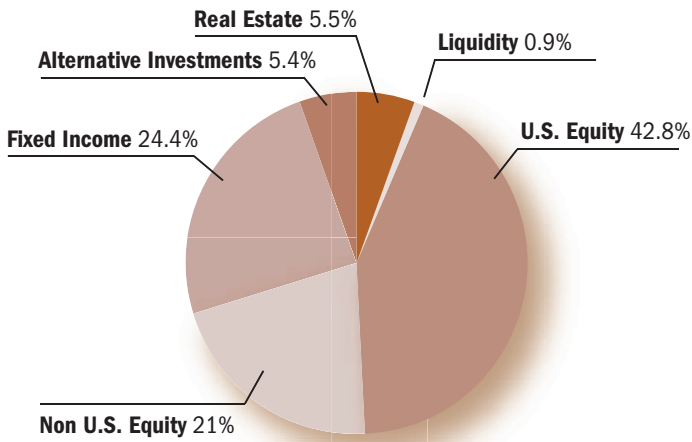
³ CalSTRS' investment performance is calculated using a monthly internal rate of return and day-weighted cash flows. Periods longer than one month are geometrically linked to calculate annualized "time-weighted" rates of return.

Investments

The CalSTRS Investment portfolio finished the fiscal year at an all-time record high value. At \$129.6 billion, the portfolio is a full \$16 billion higher in value than at the height of the stock market rally of the 1990s, and more than \$40 billion above the low value during the '00-'02 Internet bubble recession. That is nearly a 50 percent rebound in value in just three years.

For the fiscal year 2004–2005, CalSTRS earned an 11.1 percent investment return. That ranked in the top 15th percentile of public pension plans. Over the past three years ending June 30, 2005, the fund has earned a 10.5 percent return and ranked in the top 20th percentile of all

ASSET ALLOCATION AS OF JUNE 30, 2005
Total investment portfolio of \$129.6 billion

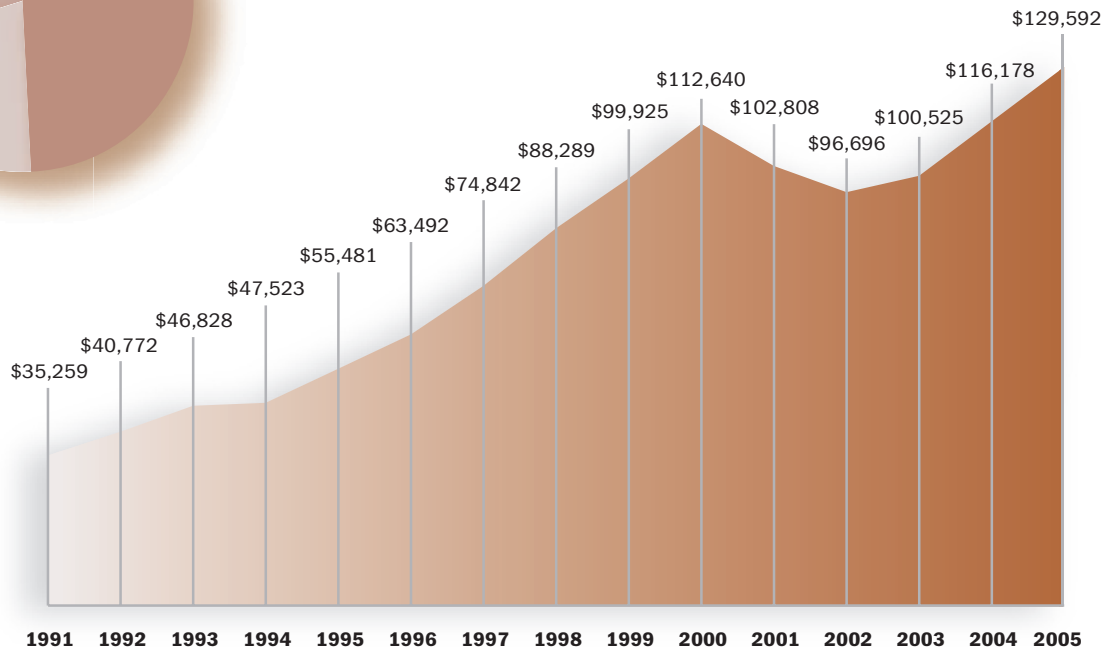


public pension plans in the United States. Not only has the investment portfolio rebounded from the '00-'02 bear market, it also has ranked among the strongest funds in the country during this time.

The past fiscal year started and ended with a slow, lower U.S. stock market, but the middle, from August '04 to March '05, produced strong returns. The top story of the year was the strong gains from non-U.S. stocks. CalSTRS maintained a higher than target allocation to international equities throughout the year. That decision added close to \$1 billion of value. Additionally, at the start of this decade, CalSTRS expanded the investment in international real estate and alternative investments. This decision improved the diversification of the fund and added higher returns in the past year.

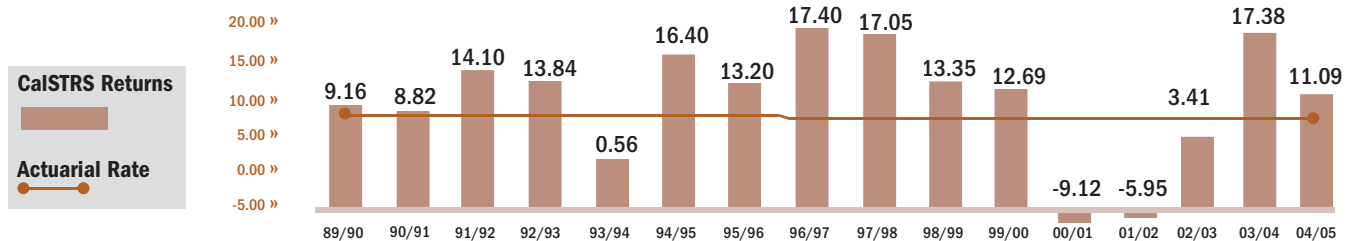
All but one asset class exceeded its policy benchmark over the period and the total fund exceeded the benchmark for the fourth straight year. The strongest performance was once again delivered by our alternative investments and real estate investments. These long-term investments have benefited from the positive economic growth both here in

Chart A Growth in total investments (dollars in millions)



Investments

Chart B Growth in CalSTRS' returns (percent)



the United States and overseas. The external active managers in our U.S. equity portfolio outpaced the stock market and beat their composite benchmark for the third straight year. Fixed income matched its stated risk and return objective through a very difficult year where the Federal Reserve raised interest rates repeatedly. The one asset class to trail its benchmark was non-U.S. equity.

The Teachers Retirement Board – Investment Committee and CalSTRS investment staff regularly review and update CalSTRS investment policies. Important enhancements were made to the External Equity policy to clarify the risk matrix and structure of non-US emerging markets and to allow active corporate governance investments. The Credit

Chart C Time-weighted performance returns for major asset categories

Portfolio Type / Associated Indices	1 Yr	3 Yr	5 Yr	10 Yr
Total Fund	11.09	10.48	2.88	8.64
U.S. Equity	8.28	9.79	-1.26	9.81
U.S. Equity Custom ⁽¹⁾	7.79	9.35	-1.71	9.87
Russell 3000 *	7.79	9.35	-1.55	9.94
Non-U.S. Equity	16.50	13.07	0.60	6.59
MSCI All Country Free ex U.S. (G) *	16.79	13.97	0.56	5.71
MSCI Europe, Australia & Far East *	13.48	11.96	-0.66	5.16
MSCI Emerging Market Free *	34.78	24.34	7.52	4.20
Fixed Income	7.14	6.88	8.09	7.37
U.S. Debt Custom ⁽²⁾	7.08	7.00	8.30	7.39
Lehman Brothers U.S. Aggregate	6.80	5.76	7.41	6.82
Lehman Brothers High Yield Cash Pay	10.86	14.09	7.88	7.26
Real Estate	18.40	12.54	12.51	13.39
Real Estate Custom ⁽³⁾	15.52	10.76	10.02	10.71
Alternative Investments	24.89	15.98	4.16	19.58
Alternative Investments Custom ⁽⁴⁾	6.63	7.54	6.22	9.93
Liquidity	3.47	8.29	7.12	6.59
Salomon 3-Month Treasury Bill	2.04	1.47	2.49	3.83

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 to calculate annualized "time-weighted" rates of return.

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

⁽¹⁾ Russell 3000 tobacco free after 9/1/00; Blend S&P500 and Russell Small Cap Completeness after 7/1/01; Russell 3000 from 7/1/96

⁽²⁾ Blend of Salomon LPF, LB US Aggregate and LB High Yield Cash Pay for the year ending 6/30/03 due to benchmark transition

⁽³⁾ NCREIF after 7/1/97 and Institutional Property Consultants prior to 7/1/97; lagged 1 quarter

⁽⁴⁾ 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

Enhancement Program policy was expanded to allow investments across the United States, and the Alternative Investment Policy was modified to adjust the sub-asset class structure.

CalSTRS has become recognized as a world-class money manager and industry leader in the pension and institutional investment community. Pension plans from Japan, Australia, Thailand and Vietnam have visited our investment operations. In a recent trade publication report, the CalSTRS Alternative Investments program was recognized by the market as one of the top two industry leaders ranked above Harvard and CalPERS.

Fixed Income

The fixed income assets within the CalSTRS investment portfolio include the \$28.9 billion of internally managed investment grade securities and \$2.7 billion of externally managed high yield securities, which collectively are expected to generate a risk-adjusted return that is representative of the broad market-weighted universe of U.S. bonds. For the fiscal year ended June 30, 2005, the Fixed Income Portfolio earned 7.14 percent, besting the performance benchmark by 6 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 protects the value of the assets of the passively managed segment of the non-dollar equity portfolio by selling controlled amounts of foreign currency positions in approved currencies (i.e., hedging) when there is the risk that the U.S. dollar may strengthen, and removing them when there is widespread U.S. dollar weakness. A strengthening dollar lowers international equity returns. Over the past year, the performance of the U.S. dollar is approximately unchanged against a basket of currencies. However, there were extended periods of U.S. dollar strength which allowed hedges to be put in place in order to protect the translation value of the underlying equity assets. For the fiscal year ended June 30, 2005, the Currency Hedging Program earned \$56.4 million dollars and exceeded the unhedged performance benchmark by 172 basis points. Since inception, the program has earned an additional \$650.1 million, offsetting a corresponding decline, due to currency translation, in the non-dollar equity portfolio.

Chart D Largest fixed income holdings as of June 30, 2005 (CalSTRS maintains a complete list of portfolio holdings)

<i>Issue</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Par</i>	<i>Market Value</i>	<i>Average Cost</i>	<i>Unrealized Gain/(Loss)</i>
U.S. TREAS NTS	15-May-08	2.625%	\$400,000,000	\$388,712,004	\$391,346,222	\$(2,634,218)
FEDERAL NATL MTG ASSN	1-Dec-99	5.000%	343,600,000	343,573,165	343,149,250	423,915
U.S. TREAS BDS	15-Nov-16	7.500%	335,000,000	439,094,543	415,272,049	23,822,494
U.S. TREAS NTS	15-Oct-06	6.500%	325,000,000	336,823,526	342,899,945	(6,076,419)
U.S. TREAS NTS	30-Nov-06	2.875%	260,000,000	257,348,008	259,824,345	(2,476,337)
U.S. TREAS NTS	15-Feb-08	3.000%	245,000,000	241,040,807	239,205,149	1,835,658
U.S. TREAS NTS	15-Sep-08	3.125%	230,000,000	226,147,493	229,034,498	(2,887,004)
U.S. TREAS NTS	31-Jul-06	2.750%	225,000,000	223,085,255	224,477,436	(1,392,182)
U.S. TRES BD STRP PRN	15-Aug-17		200,000,000	121,017,990	112,315,695	8,702,295
U.S. TREAS NTS	15-Jul-06	7.000%	200,000,000	206,947,998	209,304,454	(2,356,456)
U.S. TREAS NTS	30-Sep-06	2.500%	200,000,000	197,335,998	199,959,878	(2,623,880)

*The whole life of man is but a point of time;
let us enjoy it.*

Plutarch

Home Loan Program

The CalSTRS Home Loan Program, established by legislation in 1984, provides the opportunity for home ownership to qualified participants while meeting CalSTRS' investment goals by generating a mortgage asset. The Home Loan Program offers 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.

Last year brought the addition of Countrywide Home Loans as a strategic partner to the program. With their assistance, the number of correspondent lenders has expanded from five to twenty-five. A dedicated 1-800 number has been installed for inquires from prospective borrowers, an improved structure to the down payment assistance programs was instituted, and the Home Loan Program Web site has been improved, making it more user friendly and providing more information to prospective borrowers. We anticipate better service to our borrowers and more improvements to our program and processes over the coming year.

Securities Lending Program

The Securities Lending Program was 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 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, 2005, the Securities Lending Program earned approximately \$65.5 million in additional income for the Fund.

Internal Equity Management

The Internal Equities team manages approximately one-third of CalSTRS' domestic equity allocation. This is accomplished primarily via two portfolios, a passively managed index fund and a cash equitization program. The indexed portfolio is benchmarked to the Russell 1000 ex-Tobacco Index. As of June 30, 2005, the portfolio was valued at \$18.7 billion. The portfolio has achieved annualized returns of 7.73, 13.48, and 9.15 percent, for the 1-, 2-, 3-year periods, respectively. For the three year period ending June 30, 2005, the portfolio outperformed the benchmark by 0.08%.

The cash equitization program pools the excess cash in CalSTRS' actively managed domestic accounts so that these monies can be invested and gain exposure to the equity market. This portfolio is benchmarked to the S&P 500 Index and, in partnership with fixed income, has a goal of exceeding the S&P500 Index by 25 to 50 bps per annum. The program has achieved annualized returns of 6.37, 12.74, and 8.82 percent, for the 1-, 2-, 3-year periods, respectively. For the three year period ending June 30, 2005, the portfolio outperformed the benchmark by 0.54%.

Alternative Investments

The Alternative Investments group invests in the private equity market. The vast majority of its investments are made through limited partnerships, which consist of pools of capital raised from, among others, pension funds, endowments, and high net worth individuals. These funds invest primarily in private companies, providing financial and operational expertise in order to achieve a significant return on investment upon exit. The group also manages a co-investment portfolio of companies in which CalSTRS has invested alongside the partnership that made the direct investment. It also invests in secondary interests.

Chart E Largest equity holdings as of June 30, 2005 (CalSTRS maintains a complete list of portfolio holdings)

<i>Issue</i>	<i>Shares</i>	<i>Market Value</i>	<i>Average Cost</i>	<i>Unrealized Gain/(Loss)</i>
Exxon Mobil Corp	24,188,240	\$1,390,098,153	\$607,302,173	\$782,795,980
General Elec Co	39,123,142	1,355,616,870	724,127,510	631,489,360
Citigroup Inc	21,305,713	984,963,112	517,099,706	467,863,406
Microsoft Corp	36,461,295	905,698,568	608,469,599	297,228,969
Pfizer Inc	29,839,679	822,978,347	618,261,992	204,716,355
Johnson + Johnson	11,830,408	768,976,520	403,481,788	365,494,732
Bank Amer Corp	16,537,454	754,273,277	377,355,773	376,917,504
Intel Corp	26,471,374	689,844,006	377,778,401	312,065,605
Procter and Gamble Co	9,681,635	510,706,246	259,626,409	251,079,837
JPMorgan Chase + Co	13,883,733	490,373,450	336,211,864	154,161,585

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, 2005, the Credit Enhancement Program had commitments of approximately \$1.9 billion and fee income earned during the fiscal year was approximately \$5.8 million.

Real Estate

CalSTRS portfolio of leveraged real estate assets is valued at \$7.2 billion. The Real Estate Portfolio is comprised of 110 directly owned properties, 18 joint venture relationships, and investments in 50 opportunity funds. During the last fiscal year, 37 assets were acquired (either fully owned by CalSTRS or with a joint venture partner), and 25 assets were sold. Real estate assets are 5.5 percent

of the total fund with a 6.0 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 fiscal year 2002–03 a Leverage Program was implemented. Two debt strategies were executed: a \$750 million Commercial Mortgage Backed Security (CMBS) transaction and a \$275 million net revolving line of credit. The CalSTRS' Real Estate Portfolio has achieved gross annualized returns of 18.4, 12.5 and 12.5 percent for the one-, three- and five-year periods, respectively. CalSTRS' return exceeded the NCREIF benchmark by 2.9, 1.8 and 2.5 percent for each of the one-, three- and five-year periods.

Global Equities — External Management

The Global Equity Portfolio, comprised of both internally and externally managed portfolios, continued to be an important investment vehicle to the fund. At the end of fiscal year 2004–05, this segment of the portfolio accounted for 63.8 percent (or \$82.7 billion) of the total fund. U.S. Equity accounted for 67 percent of the total equity allocation, while Non-U.S. Equity accounted for the remaining 33 percent.

Investments

The Global Equity portfolio is managed by one internal and 20 external US managers and 17 external non-U.S. managers. Both U.S. and non-U.S. active composites outperformed their benchmarks for the fiscal year, with U.S. active managers outperforming the Russell 3000 ex Tobacco Index by 169 basis points (9.48 percent vs. 7.79 percent) and non-U.S. active managers outperforming the MSCI EAFE ex Tobacco Index by 58 basis points (14.05 percent vs. 13.47 percent). Overall, global equity markets continued to advance through fiscal year 2004–05 earning double-digit returns (10.7% – MSCI All Country World Index ex Tobacco).

External U.S. and non-U.S. Equity Programs

During the 2004–05 fiscal year, CalSTRS developed two external equity programs. Both programs will be implemented during the first half of fiscal year 2005–06 and are in various stages of the “Request For Proposal” process.

- The first program shifts our International Emerging Markets equity exposure from passive to active management strategies, while also increasing its exposure to the MSCI ACWI ex U.S. ex Tobacco “benchmark weight.”
- The second program continues our overall increase to low-risk active U.S. equity strategies by increasing exposure to Enhanced Index strategies from pure Passive Indexing.

Corporate Governance

During the 2004–05 fiscal year, CalSTRS voted on a variety of proxy issues including financial, corporate governance, and social issues. Nearly 7,900 votes were cast on proxy issues for corporations whose shares were owned in the Investment Portfolio. Proxy issues were presented on 2,959 companies. The overall number of proxy issues decreased from 7,951 last year.

The major proxy issues voted on are summarized below.

1. Election of Directors: CalSTRS generally votes in favor of a director unless the proxy statement shows circumstances contrary to policy. Examples of such circumstances include:

potential conflict of interest due to other directorships or employment, providing legal or investment banking advice, and poor board meeting attendance (less than 75%).

Number Voted: 2,827

Voted For: 2,252

Voted Against: 575

2. Selection of Auditors: CalSTRS will vote in favor of the independent auditors recommended by management unless the auditor provides services that run contrary to what CalSTRS’ policy allows for. Examples of such services are: consulting, information system design and implementation, investment banking support, and excessive non-audit fees (greater than 30% of the total fees billed).

Number Voted: 2,038

Voted For: 1,457

Voted Against: 581

3. Compensation Plans: (Stock Option Plans, Employee Stock Purchase Plans, etc.) Companies provide a variety of compensation plans for executives, employees, and non-employee directors. Many 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: 1,556

Voted For: 409

Voted Against: 1,147

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

Number Voted: 138

Voted For: 135

Voted Against: 3

5. Shareholder Proposals: CalSTRS votes on a variety of shareholder proposals. Examples of the issues voted on include: removing classified boards of directors, requiring an independent board chairman, eliminating poison pills, tying compensation plans to company performance, and requiring shareholder approval for large severance packages.

Number Voted: 557

Voted For: 385

Voted Against: 158

Vote Abstained: 14

During the 2004–05 fiscal year, the Corporate Governance unit established three governance funds with this new segment, accounting for a combined \$1.0 billion in assets under management. One fund invests in governance-strong equities, while the other two funds invest in governance-poor companies and engage management in securing governance and shareholder value improvement. For the year ending June 30, 2005, the Corporate Governance funds returned 11.79 percent.

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 forty 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, 2005, is \$53.6 million. The rate of return for the Cash Balance Benefit Program for the fiscal year was 10.1 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, 2005, is \$2.8 billion. Since the inception of the Defined Benefit Supplement Program, the annualized rate of return is 3.8 percent. The rate of return for the Defined Benefit Supplement Program for the fiscal year is 10.1 percent.

Investments

CHART F Investment summary for the current and previous fiscal year (dollars in millions)

Portfolio Type	30-Jun-04		30-Jun-05			
	Book Value	Market Value	Book Value	Market Value	% of Market Value	Net Market Change
U.S. Equity	\$33,780	\$50,523	\$36,982	\$55,468	42.80%	\$4,945
Non-U.S. Equity	22,697	26,427	21,941	27,228	21.01	801
Fixed Income	27,020	27,113	31,094	31,642	24.42	4,529
Alternative Investments	5,057	5,437	5,730	6,944	5.36	1,506
Real Estate	5,338	5,436	6,074	7,183	5.54	1,748
Liquidity	1,242	1,242	1,127	1,127	0.87	-115
Total Portfolio	\$95,133	\$116,178	\$102,948	\$129,592	100.00%	\$13,415
Plus: Securities Lending Collateral		17,011		22,619		
Less: Real Estate Accruals		-1,365		-1,367		
Less: SSB Accruals				-24		
Less: Cash & Cash Equivalent		181		169		
Plan Net Assets-Investments		\$134,373		\$153,433		

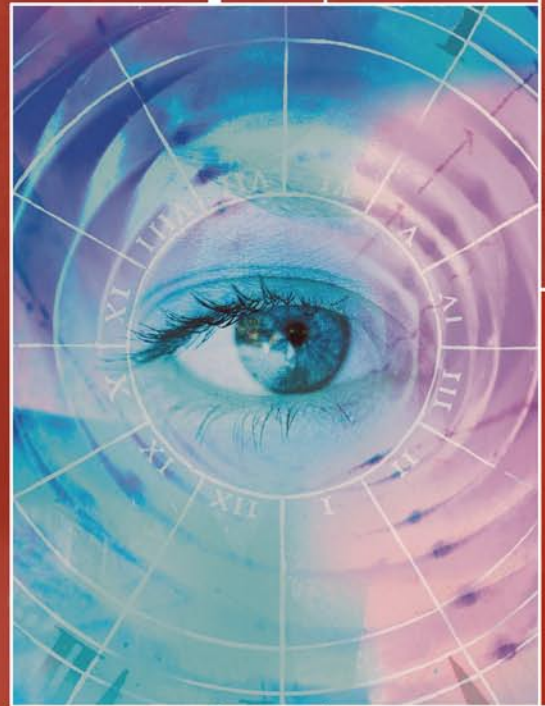
CHART G Schedule of investment expenses from continuous appropriation from July 1, 2004, through June 30, 2005 (dollars in thousands)

	Assets Under Management	Fees	Basis Points
Investment Managers' Fees:			
U.S. Equity	\$35,010,382	\$27,387	7.8
Non-U.S. Equity	26,706,638	37,037	13.9
Fixed Income	2,748,841	6,152	22.4
Alternative Investments	6,242,199	2,717	4.4
Real Estate	7,279,128	18,886	25.9
Total Investment Managers' Fees	\$77,987,187	\$92,179	11.8

CHART H Broker commissions July 1, 2004, through June 30, 2005

Broker Name	Commission	Shares	Commission per Share
<i>U.S. Equity Transactions</i>			
Deutsche Bank Securities Inc	\$1,598,730	29,592,564	\$0.054
CitiGroupGlobal Markets Inc	1,585,908	31,062,691	0.051
Lehman Bros Inc.	1,122,868	28,836,645	0.039
Merrill Lynch Pierce Fenner + Smith Inc.	967,113	38,951,183	0.025
Morgan Stanley And Co, Inc	738,805	17,898,435	0.041
BNY Brokerage Inc.	677,764	15,691,360	0.043
Investment Technology Group Inc.	629,741	35,178,973	0.018
Instinet	590,077	30,595,573	0.019
Goldman Sachs	573,735	33,566,683	0.017
CS First Boston Corporation	503,825	17,306,359	0.029
Other US Brokers	9,802,644	287,343,660	0.034
Total U.S. Commissions	18,791,210	566,024,126	0.033
<i>Non-U.S. Equity Transactions</i>			
Merrill Lynch	\$2,299,256	198,153,129	\$0.012
Credit Suisse Bank	1,794,777	214,290,472	0.008
Lehman Brothers Securities	1,308,346	128,100,696	0.010
J.P. Morgan Securities Ltd	1,279,338	118,253,225	0.011
Citigroup	1,270,535	107,812,195	0.012
Morgan Stanley + Co	1,172,089	86,711,964	0.014
UBS Ag	1,137,938	255,204,246	0.004
Goldman Sachs	995,221	117,498,593	0.008
Deutsche Bank Securities Corp	904,397	57,607,595	0.016
Warburg Securities	852,052	96,189,526	0.009
Other Non-US Brokers	6,625,584	598,633,380	0.011
Total Non-U.S. Commissions	19,639,533	1,978,455,021	0.010

Actuarial



Defined Benefit Program

Actuary's Certification Letter

A MILLIMAN GLOBAL FIRM



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May, 2006

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, 2004. Our findings indicate the projected income stream from contributions mandated by the Education Code will not be sufficient to pay the Normal Costs and to amortize the Unfunded Actuarial Obligation. The DB Program was funded on a sound actuarial basis in the 2001 actuarial valuation. The decline in the funded status is due primarily to subsequent investment returns 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. The previous valuation was performed as of June 30, 2003 and the 2004 valuation was performed at the request of the Board.

In preparing the 2004 valuation, we relied upon the financial information and membership data furnished by the System, and the Report of Independent Accountants prepared by PriceWaterhouseCoopers. 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 believed the data to be sufficiently accurate for the purposes of our calculations. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

The covered payroll for both the June 30, 2004 actuarial valuation and the June 30, 2003 actuarial valuation has been identified by the System as being overstated. Neither the June 30, 2004 actuarial valuation, nor the June 30, 2003 actuarial valuation, has been revised. We have, however, estimated the impact of the revised salary data on the prior valuation results. The estimated actuarial obligation and the estimated funded status contained in the Financial Section of this report are based upon our estimated actuarial values and differ from the published actuarial valuations. In addition, the Schedule of Active Member Valuation Data, Table 10, the Solvency Test, Table 12 and the Analysis of Financial Experience, Table 13, in the Actuarial Section contain estimates for 2003 and 2004.

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 2005 Comprehensive Annual Financial Report. However, the actuarial information contained in Schedule I of the Financial Section and in this



Teachers' Retirement Board
May, 2006
Page 2

Actuarial Section was derived from our June 30, 2004 actuarial valuation report and subsequent estimates.

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 2004 valuation and the subsequent actuarial estimations.

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.

I certify that the information included in this report is complete and accurate to the best of my knowledge and belief. 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.

Milliman has been engaged by CalSTRS as an independent actuary. The undersigned is 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, based on the current actuarial assumptions, the current projected income from member, employer, and State contributions will not finance the DB Program of the California State Teachers' Retirement System on an actuarially sound basis. That is, the expected contributions are not sufficient to fund the annual cost of the program and amortize the Unfunded Actuarial Obligation over a period of 30 years or less.

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 1999 through 2003 was completed as of June 30, 2003. The study was adopted by the Teachers' Retirement Board on March 4, 2004. The most recent actuarial valuation was completed as of June 30, 2004, and adopted by the Teachers' Retirement Board on June 2, 2005. The following summary and tables (pages 61–72) were prepared by the CalSTRS staff. All of the assumptions used in the actuarial valuation were adopted by the Teachers Retirement Board when the experience study was adopted on March 4, 2004. All information is considered in the June 30, 2004, 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 3.25 percent is due to inflation and 1.00 percent is due to expected gains in productivity.
- The actuarial cost method used by the program is the entry age normal actuarial cost method.
- 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.

Discussion of recent changes in:

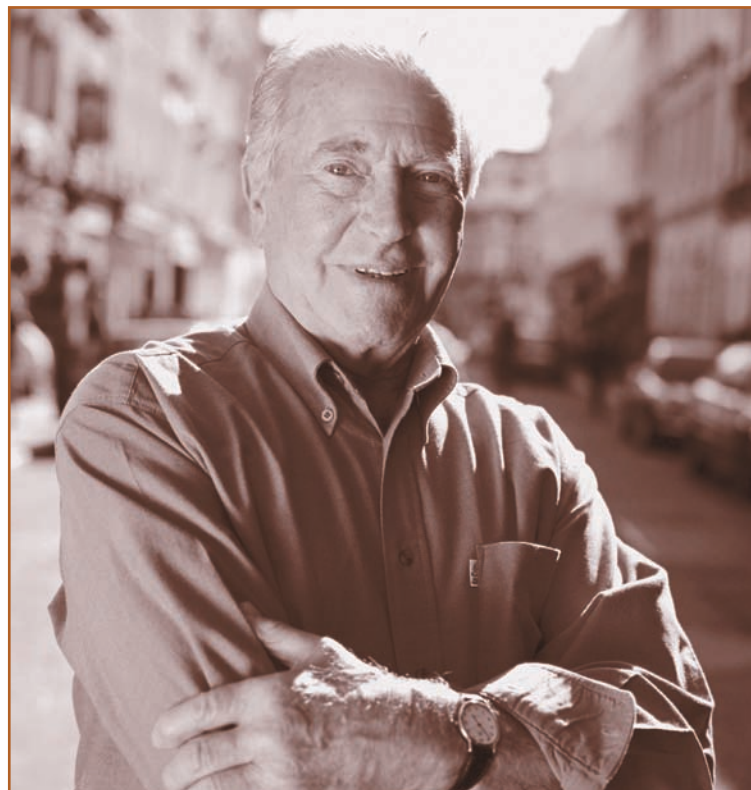
The nature of the program—Since the last experience study as of June 30, 2003, program amendments have been made that have affected the June 30, 2004 actuarial valuation.

These program amendments include:

Effective January 1, 2004

Death Before Retirement – Coverage B

- The definition of spouse for purposes of receiving a survivor benefit includes a person married to the member for less than 12 months prior to the accidental death of the member or for the period beginning prior to the occurrence of the injury or diagnosis of an illness that resulted in the member's death.



Funding

- The General Fund contribution to the Supplemental Benefit Maintenance Account was reduced by \$500 million effective for the 2003/04 fiscal year.

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, 2004)

Demographic assumptions: Tables 1–4 and 6–9 provide demographic assumption information for this program as reflected in the most recent actuarial valuation for the program (as of June 30, 2004).

Actuarial Methods

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	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. There were no revisions to either the Actuarial Cost Method or the Asset Valuation Method for this actuarial valuation.

Valuation Results

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

Tables 10–13 provide summaries of the valuation results. The data displayed in Table 10 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 10 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 11 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 11 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 11 for these adjustments.

Because of the potential for post-closing adjustments that are not updated in Table 11, 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.

The following significant plan changes have taken place during the time depicted in Table 12. 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

Nothing is a waste of time if you use the experience wisely. **Auguste Rodin**

Effective January 1, 2000

- 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.

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 allocated to the 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.

Effective January 1, 2002

- Education requirements for dependent children receiving a disability or family allowance under Coverage A were eliminated.
- Defined Benefit Program members who were formerly Cash Balance Benefit Program participants are allowed to purchase their prior Cash Balance Benefit Program service credit.

Effective January 1, 2003

- A temporary reduction in the member contribution rates of specified state members of the Defined Benefit Program.
- A change to the basis for calculation of the post-retirement earnings limitation from the increase in the All Urban California Consumer Price Index to the increase in the average earnable salary of active members of the Defined Benefit Program.

The most recent actuarial valuation of the system (as of June 30, 2004) determined there is an unfunded actuarial obligation for this program. The prior actuarial valuation (as of June 30, 2003) also indicated there was an unfunded actuarial obligation.

With the exception of the actuarial valuations performed as of June 30, 1998, June 30, 2000 and June 30, 2004, actuarial valuations are normally 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 13 would normally show 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 would show actuarial gains, in parentheses, and losses by individual component. This year, however, the actuarial obligation has been estimated and the normal cost and the gains and losses have not been determined.

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.

An audit of the 2003 Actuarial Experience Analysis of the Defined Benefit Program was performed by the firm Gabriel, Roeder, Smith and Company. The result of the audit was reported to the Board on May 4, 2005.

An audit of the 2003 Actuarial Valuation of the CalSTRS Defined Benefit Program was performed by the firm Cheiron. The result of the audit was reported to the Board on May 4, 2005.

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, 2004, 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.

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.

The definition of creditable service has 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, the contributions for any service in excess of one year are deposited to the member and employer contribution accounts within the Defined Benefit Supplement Program.

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 annual 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 401(a)(17)

Compensation is limited under Internal Revenue Code Section 401(a)(17) and assumed to increase at the rate of inflation.

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.

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.

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.

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 \$6,163 lump-sum payment. If there is no surviving spouse, registered domestic partner or eligible children, the contributions and interest are paid to the designated beneficiary.

Allowance

The surviving spouse or registered domestic partner 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 or registered domestic partner, 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 or registered domestic partner 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 \$24,652 lump-sum payment. If there is no surviving spouse or registered domestic partner, 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, or registered domestic partner's age at the time the benefit begins.

If the surviving spouse or registered domestic partner 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 \$6,163 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 beneficiary, if one is named, or 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 and Teachers' Replacement Benefit 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 2.017 percent of the total creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based, calculated annually on October 1 and paid in four equal quarterly payments.

plus

Up to 1.505 percent of the total creditable compensation of the fiscal year ending in 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. For 2004/05 this rate was 0.524 percent, however, only three-quarters of the payments were received. The balance was received in 2005/06.

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, 2004 actuarial valuation as they were effective after that date.

Effective January 1, 2005

- Recalculation of the benefits to part-time and adult education community college employees who were members prior to July 1, 1996.



- Expands eligibility for partial lump-sum benefit
- Eliminates 1-year prohibition on employment in a California public school for members who receive a Retirement Incentive benefit
- Extends a 5 year prohibition on employment with a granting employer to Community College and County Office of Education members
- Extends for up to two years an existing post-retirement earnings exemption for retired members who fill a vacant administrative position in an emergency situation
- Extends required retirement date and sunset date for other existing post retirement earnings exemptions.
- Allows up to 2/10 of one year of unused sick leave to count towards qualifying for one-year final compensation, longevity bonus and other benefit enhancements.

All of the assumptions used in the actuarial valuation were adopted by the Teachers' Retirement Board when the experience study was adopted on March 4, 2004. Following are the assumptions adopted by the Teachers' Retirement Board for this program.

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	Under 30 Years		30 or More Years	
	Male	Female	Male	Female
55	3.0%	5.0%	6.0%	8.0%
60	7.0	10.0	25.0	30.0
65	14.0	16.0	27.0	27.0
70	100.0	100.0	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	40-44	45+
MALE						
1	12.5%	12.5%	12.5%	12.5%	12.5%	13.5%
2	7.7	7.7	7.7	7.7	7.7	8.6
3	6.3	5.4	5.4	5.4	5.4	6.3
4	4.4	4.4	4.4	4.4	4.4	4.4
5	3.9	3.0	3.0	3.0	3.0	3.6
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%	10.0%
2	7.2	7.2	7.2	7.2	7.2	7.2
3	6.3	6.3	5.8	5.3	4.9	4.9
4	5.8	5.8	5.4	4.9	3.9	3.0
5	5.5	5.8	4.2	2.9	2.5	2.5
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				

Actuarial

Defined Benefit Program

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

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

Duration	Sample Entry Ages				
	Under 25	25-29	30-34	35-39	40+
MALE					
Under 5	100.0%	100.0%	100.0%	100.0%	100.0%
10	50.0	50.0	42.0	45.0	45.0
15	42.0	42.0	36.0	30.0	
20	34.0	36.0	27.0		
25	24.0	27.0			
FEMALE					
Under 5	100.0%	100.0%	100.0%	100.0%	100.0%
10	40.0	35.0	36.0	36.0	35.0
15	30.0	30.0	30.0	30.0	
20	25.0	20.0	20.0		
25	15.0	10.0			

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	5.6%	5.3%	5.1%	4.8%	4.8%	3.5%
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
20	1.3	1.1	1.1	0.8	0.8	0.6
30	0.9	0.7	0.6	0.5		
40	0.8	0.6				

TABLE 5 Economic assumptions

Consumer Price Inflation	3.25%
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

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)

	Age	1990 Benefits	DB Program Benefits	
			Under 30 years	30 or More Years
MALE	55	5.8%	3.0%	6.0%
	60	25.0	7.0	25.0
	65	20.0	14.0	27.0
	70	100.0	100.0	100.0
FEMALE	55	7.0%	5.0%	8.0%
	60	22.0	10.0	30.0
	65	18.0	16.0	27.0
	70	100.0	100.0	100.0

TABLE 9 Disability rates (sample ages)

Coverage A			Coverage B		
	Age	Rate		Entry Age Under 40	Entry Age 40 and Up
MALE	30	0.030%			
	40	0.081	MALE		
	50	0.159	30	0.030%	
FEMALE	30	0.030%	35	0.051	
	40	0.090	40	0.120	
	50	0.220	45	0.150	0.118%
			50	0.195	0.202
			55	0.270	0.312
			FEMALE		
			30	0.030%	
			35	0.051	
			40	0.090	
			45	0.141	0.139%
			50	0.231	0.252
			55	0.318	0.367

Actuarial

TABLE 10 Schedule of active member valuation data

Date (as of June 30) ⁽¹⁾	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
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
2003 ⁽²⁾	448,478	22,654,369,277	50,514	5.7
2004 ⁽²⁾	444,680	22,589,060,244	50,798	0.6

⁽¹⁾ No actuarial report is prepared in even numbered years, except for June 30, 1998, June 30, 2000 and June 30, 2004 reports.

⁽²⁾ Annual Payroll and Annual Average Pay were revised on an estimated basis to reflect date corrections.

TABLE 11 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			
	Number	Annual Allowances ⁽¹⁾	Number	Annual Allowances ⁽¹⁾	Number	Annual Allowances ⁽¹⁾	% Increase in Annual Allowances	Average Annual Allowances
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 ⁽²⁾	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
2004	13,167	558,292	5,944	113,075	193,245	5,497,706	12.7	28,449
2005	12,489	519,053	5,846	118,053	201,141	6,018,468	9.5	29,907

⁽¹⁾ Dollars in thousands.

⁽²⁾ Figures revised in 2003.

TABLE 12 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)
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
2003 ^{(c) (d)}	24,313	52,128	51,663	108,667	100.0	100.0	62.4
2004 ^(d)	24,442	58,225	52,010	114,094	100.0	100.0	60.4

*No actuarial report is prepared in even-numbered years, except for the June 30, 1998, June 30, 2000, and June 30, 2004 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.

^(c) Effective January 1, 2002, program changed to direct 25 percent of the 8 percent member contributions to the Defined Benefit Supplement Program.

^(d) Service Already Rendered by Active Members was revised on an estimated basis to reflect data corrections.

Defined Benefit Program

TABLE 13 Analysis of financial experience (gains and losses in unfunded actuarial obligation resulting from differences between assumed and actual experience) (dollars in millions)

Table 13 would normally show 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 would show actuarial gains, in parentheses, and losses by individual component. This year, however, the actuarial obligation has been estimated and the normal cost and the gains and losses have not been determined.

	Actuarial Valuation as of June 30	
	2004	2003
Actuarial Obligation at June 30:	(2003) ⁽¹⁾ \$128,104	(2001) \$109,881
Unfunded Actuarial Obligation at June 30: ⁽²⁾	20,583	\$19,437
Funded Ratio ⁽³⁾	85%	85%

⁽¹⁾ Estimated Actuarial Obligation at June 30, 2003

⁽²⁾ Estimated Unfunded Actuarial Obligation

⁽³⁾ Estimated Funded Ratio

Defined Benefit Supplement Program

Actuary's Certification Letter

A MILLIMAN GLOBAL FIRM



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December 22, 2005

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, 2004. Our findings indicate the projected income stream from contributions will be sufficient to pay the Normal Costs. The DBS Program had an Actuarial Surplus of \$168,630,000 as of June 30, 2004, which was retained as a reserve for potential future Additional Earnings Credits, Additional Annuity Credits, or adverse experience.

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

In preparing the 2004 valuation, we relied upon the financial information 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. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

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 2005 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, 2004 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 2004 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.



Teachers' Retirement Board
December 22, 2005
Page 2

I certify that the information included in this report is complete and accurate to the best of my knowledge and belief. 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.

Milliman has been engaged by CalSTRS as an independent actuary. The undersigned is 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, based on the current actuarial assumptions, the DBS Program of the California State Teachers' Retirement System is an actuarially sound program.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark O. Johnson".

Mark O. 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 most recent actuarial valuation was completed June 30, 2004, and adopted by the Teachers' Retirement Board June 2, 2005. The following summary and tables were prepared by CalSTRS staff. All information is considered in the June 30, 2004, 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 March 4, 2004, 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. All of the assumptions used in the actuarial valuation were adopted by the Teachers' Retirement Board when the experience study was adopted on March 4, 2004. 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 3.25 percent is due to inflation and 1.00 percent is due to expected gains in productivity.
- The actuarial cost method used by the program is the traditional unit credit cost 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, 2004, 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.



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, 2004, result in an actuarial surplus of \$168,630,000.

CalSTRS contracts for many actuarial services. The current contractor, Milliman, 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.

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, 2004, 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 (2 percent) of member contributions on creditable compensation is allocated to the member's DBS account through December 31, 2010.

In addition, member and employer contributions will be credited to the member's DBS account for service greater than one year and compensation for limited term enhancements and retirement incentives.

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 Treasury Notes 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.

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

There have been no program amendments that would affect an actuarial valuation of the Defined Benefit Supplement Program since the last CalSTRS annual financial report was issued. All program provisions were considered in the completion of the June 30, 2004, actuarial valuation.

Defined Benefit Supplement Program

All of the assumptions used in the actuarial valuation were adopted by the Teachers' Retirement Board when the experience study was adopted on March 4, 2004. Following are the assumptions adopted by the Teachers' Retirement Board for this program.

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	Under 30 years		30 or more years	
	Male	Female	Male	Female
55	3.0%	5.0%	6.0%	8.0%
60	7.0	10.0	25.0	30.0
65	14.0	16.0	27.0	27.0
70	100.0	100.0	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	40-44	45+
MALE						
1	12.5%	12.5%	12.5%	12.5%	12.5%	13.5%
2	7.7	7.7	7.7	7.7	7.7	8.6
3	6.3	5.4	5.4	5.4	5.4	6.3
4	4.4	4.4	4.4	4.4	4.4	4.4
5	3.9	3.0	3.0	3.0	3.0	3.6
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	0.0					
FEMALE						
1	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
2	7.2	7.2	7.2	7.2	7.2	7.2
3	6.3	6.3	5.8	5.3	4.9	4.9
4	5.8	5.8	5.4	4.9	3.9	3.0
5	5.5	5.8	4.2	2.9	2.5	2.5
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	0.0					

Actuarial

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	5.6%	5.3%	5.1%	4.8%	4.8%	3.5%
10	3.2	3.0	2.7	2.3	2.2	1.6
20	1.3	1.1	1.1	0.8	0.8	0.6
30	0.9	0.7	0.6	0.5		

Table 5 Economic assumptions

Consumer Price Inflation	3.25%
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

*Future retirees and beneficiaries are valued with a 2-year age setback.

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)

	Age	Under 30 years	30 or More Years
MALE	55	3.0%	6.0%
	60	7.0	25.0
	65	14.0	27.0
	70	100.0	100.0
FEMALE	55	5.0%	8.0%
	60	10.0	30.0
	65	16.0	27.0
	70	100.0	100.0

Defined Benefit Supplement Program

TABLE 9 Disability rates (sample ages)

	Age	Entry Age Under 40	Entry Age 40 and Up
MALE	25	0.021%	
	30	0.030	
	35	0.051	
	40	0.120	
	45	0.150	0.118%
	50	0.195	0.202
	55	0.270	0.312
	60	0.195	0.477
	65	0.120	0.853
FEMALE	25	0.030%	
	30	0.030	
	35	0.051	
	40	0.090	
	45	0.141	0.139%
	50	0.231	0.252
	55	0.318	0.367
	60	0.243	0.530
	65	0.168	0.916

TABLE 10 Schedule of active member valuation data

Date (as of June 30)	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
2001	428,741*	\$20,494,152,000	\$47,801	na
2002	442,208	21,731,775,000	49,144	2.810%
2003	447,620	23,867,428,000	53,316	8.489
2004	444,316	23,764,350,000	53,485	0.317%

* 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.

Actuarial

Defined Benefit Supplement Program

TABLE 11 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			
	Number	Annual Allowance	Number	Annual Allowance	Number	Annual Allowance	% Increase in Annual Allowances	Average 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
2004	1,929	2,143,745	2	3,450	1,927	2,140,295	100	1,110
2005								

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

TABLE 12 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*	\$213,169,000	\$0		\$0	\$206,916,000	97.0%
2002	711,440,000	0	0	660,148,000	93.0	na	na
2003	1,358,635,000	0	0	1,311,269,000	97.0	na	na
2004	2,025,400,000	0	0	2,203,682,000	108.8	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 13 Analysis of financial experience

	Actuarial Valuation as of June 30	
	2004	2003
Actuarial Accrued Liability	\$2,035,052,000	\$1,358,635,000
Actuarial Value of Assets	2,203,682,000	1,311,269,000
Unfunded Actuarial Accrued Liability (UAAL)	(168,630,000)	47,366,000
Funded Ratio	108%	97%

Cash Balance Benefit Program

Actuary's Certification Letter



Milliman

Consultants and Actuaries

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December 22, 2005

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, 2004. Our findings indicate the projected income stream from contributions will be sufficient to pay the Normal Costs. The CBB Program had an Actuarial Surplus of \$250,000 as of June 30, 2004, which was retained as a reserve for potential future Additional Earnings Credits, Additional Annuity Credits, or adverse experience.

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

In preparing the 2004 valuation, we relied upon the financial information 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. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

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 2005 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, 2004 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 2004 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.

Actuarial



Teachers' Retirement Board
December 22, 2005
Page 2

I certify that the information included in this report is complete and accurate to the best of my knowledge and belief. 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.

Milliman has been engaged by CalSTRS as an independent actuary. The undersigned is 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, based on the current actuarial assumptions, the CBB Program of the California State Teachers' Retirement System is an actuarially sound program.

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, 2004, and adopted by the Teachers' Retirement Board June 2, 2005. The following summary and tables were prepared by CalSTRS staff. All information is considered in the June 30, 2004, actuarial valuation.

The Cash Balance Benefit Program was established July 1, 1996. The most recent experience study of the program was completed June 30, 2003. The experience study was adopted by the Teachers' Retirement Board on March 4, 2004, and used to complete the latest actuarial valuation. All of the assumptions used in the actuarial valuation were adopted by the Teachers' Retirement Board when the experience study was adopted on March 4, 2004. Where an assumption was revised with this experience study, the assumption used with the past actuarial valuation is also displayed in the tables. 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 3.25 percent is due to inflation and 1.00 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.

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, 2004, 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, 2004, result in an actuarial surplus of \$250,000.

CalSTRS contracts for many actuarial services. The current contractor, Milliman, 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.

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, 2004, 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

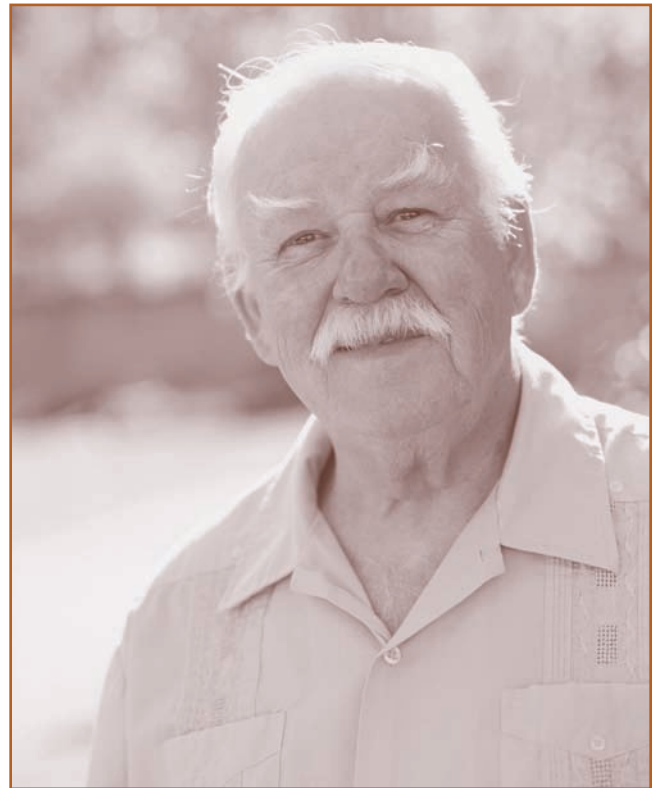
Generally, participant contributions are 4 percent of salary and employer contributions are 4 percent of salary.

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 Treasury Notes 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.

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 equals or exceeds \$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, 2004, actuarial valuation.

Actuarial

Cash Balance Benefit Program

All of the assumptions used in the actuarial valuation were adopted by the Teachers' Retirement Board when the experience study was adopted on March 4, 2004. Where an assumption was revised with this experience study, the assumption used with the past actuarial valuation is also displayed in the tables. Following are the assumptions adopted by the Teachers' Retirement Board for this program.

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	Under 30 Years		30 or more Years	
	Male	Female	Male	Female
55	3.0%	5.0%	6.0%	8.0%
60	7.0	10.0	25.0	30.0
65	14.0	16.0	27.0	27.0
70	100.0	100.0	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	40-44	45+
MALE						
1	12.5%	12.5%	12.5%	12.5%	12.5%	13.5%
2	7.7	7.7	7.7	7.7	7.7	8.6
3	6.3	5.4	5.4	5.4	5.4	6.3
4	4.4	4.4	4.4	4.4	4.4	4.4
5	3.9	3.0	3.0	3.0	3.0	3.6
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	0.0					
35						
40						
FEMALE						
1	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
2	7.2	7.2	7.2	7.2	7.2	7.2
3	6.3	6.3	5.8	5.3	4.9	4.9
4	5.8	5.8	5.4	4.9	3.9	3.0
5	5.5	5.8	4.2	2.9	2.5	2.5
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	0.0					

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	5.6%	5.3%	5.1%	4.8%	4.8%	3.5%
2	5.6	5.1	4.9	4.7	4.7	3.3
3	5.6	5.0	4.8	4.6	4.6	3.0
4	5.5	4.8	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	1.1	1.1	0.8	0.8	0.6
25	1.1	0.9	0.8	0.5	0.5	
30	0.9	0.7	0.6	0.5		
35	0.8	0.7	0.6			
40	0.8	0.6				
45	0.8					

TABLE 5 Economic assumptions

Consumer Price Inflation	3.25%
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)

	Age	Under 30 years	30 or More Years
MALE	55	3.0%	6.0%
	60	7.0	25.0
	65	14.0	27.0
	70	100.0	100.0
FEMALE	55	5.0%	8.0%
	60	10.0	30.0
	65	16.0	27.0
	70	100.0	100.0

Actuarial

Cash Balance Benefit Program

TABLE 9 Disability rates (sample ages)

	Age	Entry Age Under 40	Entry Age 40 and Up
MALE	25	0.021%	
	30	0.030	
	35	0.051	
	40	0.120	
	45	0.150	0.118%
	50	0.195	0.202
	55	0.270	0.312
FEMALE	25	0.030%	
	30	0.030	
	35	0.051	
	40	0.090	
	45	0.141	0.139%
	50	0.231	0.252
	55	0.318	0.367

TABLE 10 Schedule of active participant valuation data

Date (as of June 30)	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
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
2003	8,980	81,080,000	9,029	(7.0)
2004	9,114	96,199,000	10,555	16.9

* Active participants with account balances.

TABLE 11 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		
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
2003	0	0	0	0	0	0	na	na
2004	3	\$4,819	0	0	3	\$4,819	100%	\$1,606

*The Cash Balance Benefit Program was established July 1, 1996. As of June 30, 2003, all participants who had retired or become disabled had elected a lump-sum distribution. No annuities had been paid.

Actuarial

Cash Balance Benefit Program

TABLE 12 Solvency test

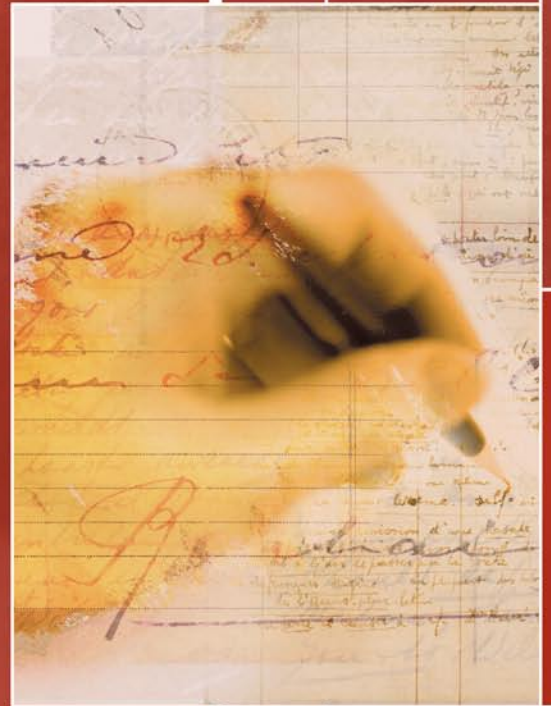
Aggregate Accrued Liabilities for					Funding of Liabilities		
Valuation Date (as of June 30)	(1) Active Member Contributions on Deposit	(2) Future Benefits to Benefit Recipients	(3) Service Already Rendered by Active Members	Actuarial Value of Assets	(1)	(2)	(3)
1999	\$5,000,613	0	0	\$5,224,000	104.4%	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
2003	33,836,853	0	0	29,963,000	89.0	na	na
2004	41,972,042	0	0	42,003,000	100.0	na	na

TABLE 13 Analysis of financial experience

	Actuarial Valuation as of June 30	
	2004	2003
Actuarial Accrued Liability	\$42,003,000	\$33,837,000
Actuarial Value of Assets	42,253,000	29,963,000
Unfunded Actuarial Accrued Liability (UAAL)	(250,000)	3,874,000
Funded Ratio	101%	89%

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Statistical



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)

Fiscal Year Ending June 30	Member Contributions	Employer Contributions	Percentage of Annual Covered Payroll	Investment Income	State of California ⁽¹⁾	Other Income	Total
2005	\$1,748.3	\$2,004.6	8.25%	\$13,897.6	\$1,218.6	\$1.3	\$18,870.4
2004	1,640.7	1,918.3	8.25	16,354.3	548.7	(2.0)	20,460.0
2003	1,557.9	1,892.1	8.25	3,622.9	1,015.0	(0.1)	8,087.8
2002	1,381.9	1,721.4	8.25	(6,268.5)	915.8	(1.5)	(2,250.9)
2001	1,630.4	1,880.9	8.25	(10,230.9)	946.2	0.40	(5,773.0)
2000	1,529.8	1,587.7	8.25	12,689.8	939.2	0.20	16,746.7
1999	1,423.1	1,474.6	8.25	11,796.0	350.1	1.30 ⁽²⁾	15,045.1
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
1996	1,089.0	1,140.8	8.25	7,463.7	754.8	0.10	10,448.4

⁽¹⁾ Includes Elder Full Funding, SBMA contributions and school lands revenue.

⁽²⁾ Includes a \$1,285,093 equity transfer from the Cash Balance Plan Fund to the Teachers' Retirement Fund due to the closure of the fund.

TABLE 2 Expenses by type (dollars in millions)

Fiscal Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds	Misc	Total
2005	\$6,057.2	\$92.9	\$79.1	\$0.0	\$6,229.2
2004	5,503.0	93.5	79.2	0.0	5,675.7
2003	4,933.5	72.1	78.7	0.1	5,084.3
2002	4,496.0	63.5	73.9	0.2	4,633.6
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	3,343.1	44.7	74.6	0.0	3,462.4
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
1996	2,749.7	36.2	69.2	0.0	2,855.1

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

Fiscal Year Ending June 30	Age & Service Benefits			Disability Benefits		Refunds		
	Retired Members	Survivors	Death in Service Benefits	Retired Members	Survivors	Death	Separation	Total
2005	\$5,568.2	\$329.8	\$34.2	\$125.1	\$0.0	\$0.0	\$79.1	\$6,136.4
2004	5,080.3	233.8	74.0	115.0	0.0	0.0	79.2	5,582.2
2003	4,518.5	247.6	78.1	105.4	0.0	0.0	62.5	5,012.1
2002	4,103.2	233.5	69.6	94.7	0.0	0.0	68.9	4,569.9
2001	3,785.8	36.7	21.0	88.4	1.0	21.6	77.0	4,031.5
2000	3,458.7	33.7	26.8	79.0	1.1	26.4	80.0	3,705.7
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	2,769.7	28.9	32.2	59.4	0.8	21.3	65.9	2,978.2
1996	2,616.4	26.2	31.4	53.0	0.6	22.1	69.2	2,818.9

TABLE 4 Members retired for service during fiscal year 2004–2005 classified by unmodified benefit ⁽¹⁾

Monthly Unmodified Benefit ⁽²⁾	Count	Average Age at Retirement	Average Service Credit	Average Final Compensation	Average Benefit Payable
Less than \$500	609	62.2	6.300	\$3,074	\$314
500 - 1000	852	61.5	10.022	4,071	698
1000 - 1500	786	60.5	14.550	4,822	1,194
1500 - 2000	754	60.8	17.949	5,267	1,669
2000 - 2500	893	61.2	20.940	5,614	2,140
2500 - 3000	755	61.9	23.062	5,836	2,604
3000 - 3500	725	61.5	26.480	5,904	3,096
3500 - 4000	771	61.2	29.367	6,088	3,575
4000 - 4500	907	60.9	31.539	6,100	4,029
4500 - 5000	961	61.3	32.855	6,272	4,494
5000 - 6000	1,834	62.1	34.854	6,563	5,166
6000 & Greater	1,747	62.9	37.439	7,947	6,716
Totals	11,624	61.7 ⁽³⁾	26.266 ⁽³⁾	\$5,944 ⁽³⁾	\$3,535 ⁽³⁾

⁽¹⁾ Does not include formerly disabled members⁽²⁾ As of the June 30, 2004 population report the longevity bonus is included in the unmodified allowance⁽³⁾ Overall averages

Statistical

Defined Benefit Program

TABLE 5 Members retired for service during fiscal year 2003-2004 ⁽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	27	15	3	0	0	0	5	4	0
55	285	159	12	3	0	2	63	43	3
56	749	423	52	14	3	1	153	100	3
57	640	305	46	18	3	2	150	109	7
58	907	427	69	16	1	2	213	171	8
59	987	432	78	33	1	3	229	204	7
60	1,068	478	92	28	6	4	282	173	5
61	1,337	619	104	25	3	4	331	244	7
62	1,610	728	123	41	14	5	401	283	15
63	1,111	559	72	21	3	6	261	176	13
64	729	363	55	14	1	7	164	118	7
65	545	300	39	15	1	1	101	86	2
66	391	219	29	8	2	3	72	52	6
67	313	182	16	7	0	1	55	50	2
68	194	107	13	3	2	1	41	24	3
69	156	101	5	1	2	1	21	24	1
70	132	90	7	3	0	0	18	10	4
71	116	77	7	4	0	0	18	9	1
72	72	51	5	1	0	0	5	9	1
73	67	36	3	1	1	1	13	11	1
74	44	26	2	0	0	0	8	5	3
75	32	22	2	0	0	0	3	4	1
Over 75	112	68	13	3	1	0	18	8	1
Age Unknown	0	0	0	0	0	0	0	0	0
Total	11,624	5,787	847	259	44	44	2,625	1,917	101

⁽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 Ending June 30	Count	Average Disability Allowance Payable	Average Service Credit	Average Final Compensation	Average Age at Disability
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
2004	580	2,409	14.453	4,899	53.3
2005	538	2,488	14.016	5,103	53.3

TABLE 7 Number of benefit recipients by type of benefit

Fiscal Year Ending June 30	Service Retirement	Disability Benefits	Benefits for Survivors	Total Benefit Recipients
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	15,465	177,072 ⁽¹⁾
2003	159,172	6,949	15,747	181,868
2004	169,022	7,311	16,912	193,245
2005	176,008	7,571	17,662	201,241

⁽¹⁾ Disability and survivor counts revised in 2003

Statistical

Defined Benefit Program

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 Benefit	Average Final Compensation	Age At Retirement
7/1/1995 thru 6/30/1996	6,985	26.6	\$2,171	\$4,110	61.3
7/1/1996 thru 6/30/1997	6,011	26.6	\$2,210	\$4,206	60.9
7/1/1997 thru 6/30/1998	7,332	26.8	\$2,310	\$4,345	60.8
7/1/1998 thru 6/30/1999	7,248	27.2	\$2,706	\$4,541	61.2
7/1/1999 thru 6/30/2000	7,556	26.8	\$2,872	\$4,6888	61.3
7/1/2000 thru 6/30/2001 ⁽¹⁾					
0 - 5	86	2.3	\$ 226	—	—
5 - 10	505	7.3	513	—	—
10 - 15	661	12.6	1,067	—	—
15 - 20	707	17.4	1,594	—	—
20 - 25	821	22.4	2,165	—	—
25 - 30	988	27.3	3,076	—	—
30 - 35	2,446	32.6	4,138	—	—
35 - 40	2,041	37.2	5,267	—	—
40 & over	446	42.1	6,417	—	—
Total	8,701	28.1	\$3,524	\$5,312	61.2
7/1/2001 thru 6/30/2002 ⁽¹⁾					
0 - 5	86	2.4	\$ 228	—	—
5 - 10	499	7.3	512	—	—
10 - 15	679	12.6	1,093	—	—
15 - 20	860	17.4	1,714	—	—
20 - 25	886	22.3	2,387	—	—
25 - 30	1,081	27.1	3,288	—	—
30 - 35	2,912	32.7	4,536	—	—
35 - 40	2,277	37.2	5,738	—	—
40 & over	482	42.1	6,907	—	—
Total	9,762	28.3	\$3,869	\$5,686	61.1
7/1/2002 thru 6/30/2003 ⁽¹⁾					
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	1,821	—	—
20 - 25	1,063	22.6	2,494	—	—
25 - 30	1,212	27.1	3,372	—	—
30 - 35	3,384	32.7	4,640	—	—
35 - 40	2,444	37.2	5,855	—	—
40 & over	486	42.3	7,114	—	—
Total	11,189	27.9	\$3,879	\$5,807	61.2

⁽¹⁾ The average unmodified benefit for this fiscal year includes the longevity bonus

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 Benefit	Average Final Compensation	Age At Retirement
7/1/2003 thru 6/30/2004 ⁽¹⁾					
0 - 5	116	2.4	\$ 242	—	—
5 - 10	883	7.2	559	—	—
10 - 15	944	12.6	1,178	—	—
15 - 20	1,277	17.6	1,864	—	—
20 - 25	1,200	22.5	2,614	—	—
25 - 30	1,393	27.1	3,416	—	—
30 - 35	3,495	32.6	4,761	—	—
35 - 40	2,477	37.2	5,919	—	—
40 & over	516	42.1	7,255	—	—
Total	12,301	27.1	\$3,817	\$5,891	61.2
7/1/2004 thru 6/30/2005 ⁽¹⁾					
0 - 5	122	2.5	\$ 268	—	—
5 - 10	1,008	7.2	591	—	—
10 - 15	897	12.6	1,170	—	—
15 - 20	1,311	17.5	1,906	—	—
20 - 25	1,286	22.3	2,579	—	—
25 - 30	1,217	27.0	3,475	—	—
30 - 35	3,208	32.5	4,847	—	—
35 - 40	2,162	37.2	6,100	—	—
40 & over	413	42.0	7,422	—	—
Total	11,624	26.3	\$3,744	\$5,944	61.7

⁽¹⁾ The average unmodified benefit for this fiscal year includes the longevity bonus

Defined Benefit Supplement Program

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

Fiscal Year Ending June 30	Member Contributions	Employer Contributions	Investment Income	State of California	Other Income	Total
2005	\$574.1	\$95.6	\$235.6	\$0.0	\$0.0	\$905.3
2004	565.8	125.3	247.6	0.0	0.0	938.7
2003	532.6	72.2	63.9	0.0	0.0	668.7
2002	487.2	0.0	(27.7)	0.0	(3.9)	455.6
2001	210.2	0.0	(0.2)	0.0	0.0	210.0

TABLE 2 Expenses by type (dollars in millions)

Fiscal Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds	Misc	Total
2005	\$75.4	\$1.7	\$8.6	\$0.0	\$85.7
2004	42.0	1.2	3.1	0.0	46.3
2003	16.4	0.6	0.7	0.0	17.7
2002	5.0	0.3	0.0	0.0	5.3
2001	0.0	0.1	0.0	0.0	0.1

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

Fiscal Year Ending June 30	Age & Service Benefits			Disability Benefits		Refunds		
	Retired Members	Survivors	Death in Service Benefits	Retired Members	Survivors	Death	Separation	Total
2005	\$71.4	\$0.0	\$0.0	\$2.0	\$0.0	\$2.0	\$8.6	\$84.0
2004	39.0	0.2	0.0	1.6	0.0	1.1	3.1	45.0
2003	15.8	0.0	0.0	0.5	0.0	0.1	0.7	17.1
2002	4.9	0.0	0.0	0.0	0.0	0.1	0.0	5.0
2001	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Defined Benefit and Defined Benefit Supplement Programs

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
Fremont-Newark
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
Cutten 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

Statistical

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
Beldridge 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
Hacienda 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 Unified
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
Wisburn 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
Bolinias-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

Statistical

Defined Benefit and Defined Benefit Supplement Programs

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
Nuview 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
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 Lomas 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

Statistical

Defined Benefit and Defined Benefit Supplement Programs

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
Bellevue Elementary
Big Oak Flat-Groveland Unified
Chinese Camp Elementary
Columbia Union
Curtis Creek Elementary
Jamestown Elementary
Sonora Elementary
Sonora Union High
Soulsbyville Elementary
Summersville Elementary
Summersville 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

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

Fiscal Year Ending June 30	Participant Contributions	Employer Contributions	Percentage of Annual Covered Payroll	Investment Income	Other Income	Total
2005	\$4,149.1	\$4,490.1	\$8.05%	\$4,540.2	\$0.0	\$13,179.4
2004	3,866.6	3,844.9	8.05	5,384.4	0.0	13,095.9
2003	3,580.9	3,589.6	8.05	1,381.9	0.0	8,552.3
2002	3,535.1	3,586.0	8.05	(943.8)	0.0	6,177.3
2001	2,936.1	3,035.0	8.05	(942.2)	0.0	5,028.9
2000	2,589.8	2,364.8	8.05	812.0	0.0	5,766.6
1999	1,520.5	1,562.3	8.05	1,796.1	0.0	4,878.9
1998	772.0	772.0	8.00	105.0	0.0	1,649.0
1997	74.0	74.0	8.00	20.3	0.0	168.3
1996	0.0	0.0	8.00	15.2	0.0	15.2

TABLE 2 Expenses by type (dollars in thousands)

Fiscal Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds	Misc	Total
2005	\$1,235.2 ⁽¹⁾	\$34.0	\$244.8	\$0.0	\$1,514.0
2004	580.3	27.7	196.7	\$0.0	804.7
2003	188.0	16.8	132.5	0.0	337.3
2002	105.5 ⁽²⁾	10.8	89.8 ⁽²⁾	0.0	206.1
2001	0.0	8.2	118.7	0.0	126.9
2000 ⁽³⁾	0.0	4.8	58.5	0.0	63.3
1999	0.0	711.6	15.0	1,326.0 ⁽⁴⁾	2,052.6
1998	0.0	397.0	0.0	69.0	466.0
1997	0.0	393.0	0.0	34.9	427.9
1996	0.0	128.0	0.0	19.8	147.8

⁽¹⁾ The benefit payments for fiscal years 2003/04 and 2004/05 include member elected Administrative Transfers to purchase service credit in the Defined Benefit program. The amounts were \$220,255 and \$603,499, respectively.

⁽²⁾ In prior years, all payments were categorized as refunds however in fiscal year 2001/02 benefit payments and refunds were identified separately.

⁽³⁾ Due to the merger of the Cash Balance Plan with the Teachers' Retirement Plan in fiscal year 1999/00, there was a decrease in Administrative expenses. These expenses were absorbed by the Teachers' Retirement Plan (California Education Code 22001.5 and 26000)

⁽⁴⁾ Comprised of \$41,648 in interfund interest expense on a loan payable to Teachers' Retirement Fund at December 31, 1998 and a \$1,285,093 equity transfer from the Cash Balance Plan Fund to the Teachers' Retirement Fund due to the closure of the fund.

TABLE 3 Schedule of benefit expenses by type (dollars in thousands)

Fiscal Year Ending June 30	Age & Service Benefits			Disability Benefits		Refunds		
	Retired Members	Survivors	Death in Service Benefits	Retired Members	Survivors	Death	Separation	Total
2005	\$1,143.1 ⁽¹⁾	\$0.0	\$92.0	\$0.0	\$0.0	\$0.0	\$244.8	\$1,479.9
2004	535.4	0.0	44.9	0.0	0.0	0.0	196.7	777.0
2003	132.2	0.0	48.3	7.5	0.0	0.0	132.5	320.5
2002	82.7	0.0	22.8	0.0	0.0	0.0	89.8	195.3
2001	0.0	0.0	0.0	0.0	0.0	0.0	118.7	118.7
2000	0.0	0.0	0.0	0.0	0.0	0.0	58.5	58.5
1999	0.0	0.0	0.0	0.0	0.0	0.0	15.0	15.0
1998	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1997	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1996	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

⁽¹⁾ The benefit payments for fiscal years 2003/04 and 2004/05 include member elected Administrative Transfers to purchase service credit in the Defined Benefit program. The amounts were \$220,255 and \$603,499, respectively.

Participating Employers

Alameda County

Berkeley Unified School District
 Chabot-Las Positas Community College District
 Fremont Unified School District
 Ohlone Community College 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
 Los Angeles Community College District
 Mountain View Elementary

Merced County

Atwater 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 Bruno Park Elementary School District
 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

Programs Administered or Overseen by the Retirement System

Voluntary Investment Program

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

Fiscal Year Ending June 30	Participant Contributions	Interest, Dividends and Other Investment Income	Other	Total
2005	\$20,379	\$6,143	\$0	\$26,522
2004	19,535	9,754	0	29,289
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
1998	5,079	2,911	0	7,990
1997	3,235	1,833	0	5,068
1996	1,168	978	15,978 ⁽¹⁾	18,124

⁽¹⁾ Transfer of Tax Shelter Annuity Fund

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

Fiscal Year Ending June 30	Annuity Payments	Administrative Expenses	Refunds	Total
2005	\$2,645	\$917	\$6,131	\$9,693
2004	1,617	807	6,440	8,864
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
1999	237	205	1,610	2,052
1998	165	155	1,662	1,982
1997	710	124	888	1,722
1996	1,907	111	0	2,018

Participating Employers

Alameda County

K-12

Alameda Unified
Albany
Berkeley Unified
Castro Valley Unified
Dublin Unified
Emery Unified
Fremont Unified
Hayward Unified
Livermore Valley Joint Unified
Newark Unified
Piedmont Unified
Pleasanton Unified
San Leandro Unified
San Lorenzo Unified
Sunol Glen 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
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

El Dorado Union High
Lake Tahoe Unified
Pioneer Union Elementary
Placerville Union Elementary
Rescue Union Elementary

Community Colleges

Lake Tahoe

Fresno County

K-12

American Union Elementary
Caruthers Union Elementary
Central Unified
Clovis Unified
Coalinga/Huron Unified
Fresno Unified
Kerman Unified
Kings Canyon Joint Unified
Mendota Unified
Pine Ridge Elementary
Sanger Unified
Washington Union High

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

Arcata Elementary
Big Lagoon Union Elementary
Blue Lake Union Elementary
Bridgeville Elementary
Cuddeback Union Elementary
Cuttan Elementary
Eureka City
Ferndale Unified
Fortuna Union High
Freshwater Elementary
Garfield Elementary
Green Point Elementary
Humboldt County Office of
Education
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

College of The Redwoods

Imperial County

K-12

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

Inyo County

K-12

Bishop Joint Union High
Bishop Union Elementary

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

Statistical

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
Synergy Charter Academy
Torrance Unified
Valle Lindo Elementary
Walnut Valley Unified
Westside Union
Whittier Union High
William S Hart Union High
Wisburn 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
Mendocino 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 County Office of Education
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
Huntington Beach City Elementary
Irvine Unified
La Habra City Elementary
Laguna Beach Unified
Magnolia Elementary
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
South Orange County

Placer County

K-12
Alta-Dutch Flat Union Elementary
Auburn Union Elementary
Eureka Union Elementary
Penryn Elementary
Placer Hills Union
Placer Hills Union Elementary
Placer Union High
Prosser Creek Charter
Rocklin Unified
Roseville City Elementary
Roseville Joint Union High

Community Colleges
Sierra College

Plumas County

Community Colleges
Feather River

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
Romoland Elementary
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

Aromas San Juan Elementary
County Superintendent
San Benito County Office of
Education

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

Atascadero Unified
Cambria Union Elementary
Cayucos Elementary
Lucia Mar Unified
Paso Robles Union Elementary

Phillips Elementary
Pleasant Valley Joint 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
College Elementary
Cuyama Joint Unified
Goleta Union
Guadalupe Union Elementary
Hope Elementary
Los Alamos Elementary
Montecito Union Elementary
Santa Barbara County Office of
Education
Santa Barbara Solvang
Elementary
Santa Maria Bonita
Santa Maria Joint Union High
Santa Ynez Valley Union High
Solvang Elementary

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
Happy Valley Elementary
Live Oak Elementary
Mountain Elementary
Pacific Elementary
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
Gateway Unified 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

Voluntary Investment Program

Community Colleges

Siskiyou Joint

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
Geyserville Unified School
District
Guerneville Elementary
Old Adobe Union 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

Ceres Unified
Hart Ransom Union Elementary
Hickman Elementary
Hughson Union Elementary
Keyes Union Elementary
Knights Ferry Elementary
Oakdale Joint Union High
Paradise Elementary
Patterson Joint Unified
Riverbank Elementary
Roberts Ferry Union Elementary
Salida Union Elementary
Shiloh Elementary
Stanislaus County Office of
Education
Stanislaus Union Elementary
Sylvan Union Elementary
Turlock Joint Union High
Valley Home Joint Elementary
Waterford Elementary

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

Allensworth Elementary
Alpaugh Unified
Alta Vista Elementary
Buena Vista Elementary
Burton Elementary
Citrus South Tule Elementary
Columbine Elementary
Cutler Orosi Joint Unified
Dinuba Elementary
Ducar Union Elementary
Earlimart Elementary
Exeter Union Elementary
Farmersville Unified
Hope Elementary
Hot Spring Elementary
Kings River Union Elementary
Liberty Elementary
Lindsay Unified
Oak Valley Union Elementary
Palo Verde Union Elementary
Pixley Union Elementary
Porterville Union High
Tulare County Organization for
Vocations
Tulare County Superintendent
Visalia Unified

Tuolumne County

K-12

Columbia Union
Curtis Creek Elementary
Jamestown Elementary
Sonora Union High

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
Winters Joint Unified School
District

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Statistical

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