

STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Senate Bill 713

Senator Burton (As Amended 9/10/99)

Position:

Sponsor

Proponents:

ACSA, ART, CFT, CRTA, CTA, FACCC, UTLA

Opponents:

None known

SUMMARY

This bill would establish minimum annual allowances payable to specified retired members of the California State Teachers' Retirement System (CalSTRS), their option beneficiaries, and surviving spouses, in varied amounts according to the member's years of credited service. Finally, the bill appropriates \$750,000 from the Teacher's Retirement Fund (TRF) to pay the administrative costs of implementing the bill's provisions.

HISTORY

AB 1557 (Sieroty--Chapter 1286, Statutes of 1980) and SB 744 (Sieroty--Chapter 1089, Statutes of 1981) established minimum ad hoc allowance increases for CalSTRS members. Section 24408 of the Education Code sets an amount of \$16 per month multiplied by the years of credited service.

SB 1026 (Schiff--Chapter 939, Statutes of 1997) provided for purchasing power protection of up to 75% of the benefit recipient's original purchasing power from the 2.5% annual General Fund contribution.

AB 1102 (Knox--Chapter 1006, Statutes of 1998) vested the 2.5% General Fund contribution and the purchasing power payments payable from that contribution.

CURRENT PRACTICE

Under the Teachers' Retirement Law (TRL), all members and beneficiaries of the Defined Benefit (DB) Program receive monthly allowances that are subject to supplementary allowance increases to preserve their purchasing power.

Under the TRL, quarterly supplemental payments are made to benefit recipients from specified accounts to restore purchasing power of up to 75% of the purchasing power of the initial monthly allowances provided under the DB Program.

Members of the DB Program also have minimum allowances equal to \$18 per month per year of service credit, if retired on or before December 31, 1981, and \$10 per month per year of service credit otherwise.

DISCUSSION

SB 713 establishes minimum annual allowance amounts payable to specified retired members of the California State Teachers' Retirement System (CalSTRS), their option beneficiaries, and surviving spouses for whom benefits were payable on January 1, 2000, in varying amounts according to the member's years of credited service, as follows:

<i>20 years of credited service</i>	<i>\$15,000</i>
<i>21 years of credited service</i>	<i>\$15,500</i>
<i>22 years of credited service</i>	<i>\$16,000</i>
<i>23 years of credited service</i>	<i>\$16,500</i>
<i>24 years of credited service</i>	<i>\$17,000</i>
<i>25 years of credited service</i>	<i>\$17,500</i>
<i>26 years of credited service</i>	<i>\$18,000</i>
<i>27 years of credited service</i>	<i>\$18,500</i>
<i>28 years of credited service</i>	<i>\$19,000</i>
<i>29 years of credited service</i>	<i>\$19,500</i>
<i>30 years or more of credited service</i>	<i>\$20,000</i>

The increased amount to be paid to an eligible member or beneficiary under the bill is equal to the minimum amount specified in the bill minus the amount paid from all other CalSTRS benefits, including the quarterly supplemental purchasing power payments. This will benefit about 25,000 members and beneficiaries who initially received allowances many years ago when lower salaries kept benefit levels low.

FISCAL IMPACT

Benefit Program-

The estimated one-time present value costs for the minimum allowance is \$1.1 billion. This is equal to \$100 million in annual contributions for 15 years.

Administration-

Potentially substantial costs to implement the minimum guarantee. The bill appropriates \$750,000 from the TRF for these purposes.

POSITION

Sponsor. The Teachers' Retirement Board is the sponsor of SB 713. The bill provides important increases in the minimum allowance. These provisions will assist the CalSTRS membership whose retirement allowances has been the most eroded over time.