

# STATE TEACHERS' RETIREMENT SYSTEM

## BILL ANALYSIS

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**Senate Bill 473**

**Senator Ortiz (As Introduced 2/17/99)**

**Position:**

**Sponsor**

**Proponents:**

**CalSTRS**

**Opponents:**

**None known**

### **SUMMARY**

SB 473 authorizes a school district, community college district, or county office of education to pay all or a portion of the costs of specified additional service credit or redeposited contributions on behalf of a member of the California State Teachers' Retirement System (CalSTRS). The bill requires a participating school district, community college district, or a county office of education to establish criteria to determine eligibility for a member to have service credit paid. The criteria must be consistent with one of three objectives specified in the bill. The criteria must be broad enough to apply to at least 20 employees, or three percent of the employees who are members, whichever is greater, unless the Teachers' Retirement Board (Board) authorizes the application of criteria to a lesser number or percentage of members. The bill also requires that the opportunity to have the cost of credit for service paid by the participating school district, a community college district, or a county office of education be made equally available to any member employed thereby. SB 473 prohibits the restriction of eligibility to members who are not classroom teachers (i.e. administrators and superintendents).

### **HISTORY**

SB 1027 (Chapter 569, Statutes of 1997) authorized CalSTRS members to purchase additional service credit for out-of-state public school employment, effective 1/01/99.

SB 2126 (Chapter 1076, Statutes of 1998) permitted CalSTRS members with at least five years of credited service to purchase up to five years of nonqualified service credit.

### **CURRENT PRACTICE**

Existing law requires CalSTRS to provide retirement benefits to participating teachers. Under existing law, if a member whose accumulated retirement contributions have been

refunded, again becomes a member, the person may elect to redeposit those contributions with regular interest from the date of refund to the date of payment.

Current law also provides for the purchase of various types of service credit by members, or by an employer on the behalf of a member, including

- Non qualified service, or air-time (employee paid)
- Sabbatical leave (employee and/or employer paid)
- Certain active military leave (employee paid)
- Prior service with California University or State University service, publicly supported and administered college or university or California Community College (employee paid)
- Certified position at child care center (employee and/or employer paid)
- Maternity/paternity leave (employee and/or employer paid)
- Approved leave to participate in specified federal program (employee and/or employer paid)
- Family Care and Medical Leave Act (employee and/or employer paid)
- Certificated position at Indian school in California (employee paid)
- Certificated position with Job Corps (employee paid)
- Teaching position at School for the Blind or Deaf (employee paid)

## **DISCUSSION**

SB 473 allows a school district, community college district, or a county office of education (employer) to pay all or a portion of the cost to receive credit for service authorized to be purchased by a CalSTRS member or authorized to be credited to a member who redeposits previously refunded contributions. The employer must establish criteria to determine eligibility that is broad enough to apply to at least 20 employees, or three percent of the employees who are CalSTRS members, whichever is greater. The Board may, however, open eligibility to a lesser number or percentage of employees. The opportunity to have the cost of credit for service paid must be made equally available to any employee and not, for example, just to administrators and superintendents. A participating employer must pay the same dollar amount toward the purchase of service credit or purchase an equal amount of credit for service for each employed member who meets the criteria. Payments by an employer must be made to the Teachers Retirement Fund (TRF) annually, not to exceed four years, or a period acceptable to the Board, and is not credited to the account of the CalSTRS member. An employer may make such purchases either to encourage members to come to work for the employer, remain with the current employer, or to cease employment with the employer in order to facilitate a change in workforce requirements. The employer must inform the Board of the specific eligibility criteria and the estimated number of eligible members. Prior to authorizing the payment of funds, the Board must determine whether the criteria submitted by the employer are consistent with statutory objectives.

Although this bill permits the employer to pay the cost of additional service credit, it differs from the Golden Handshake program, which permits employers to purchase two additional years of service credit on behalf of employees. Under the Golden Handshake, members had to retire to receive the benefit and forfeited it if they returned to active service. The Legislature and the previous administration were concerned about reducing the supply of teachers by requiring members to retire to receive the benefit and the Golden Handshake program was not extended. SB 473 does not require the member to retire. If a district needs to reduce its workforce, a teacher can receive the service credit from the employer and teach elsewhere.

The incentive provided under this bill could also be used to encourage teachers to come to a district or stay at that district longer. This will assist the employer in addressing any shortages of teachers they may be facing.

### **FISCAL IMPACT**

#### **Benefit Program-**

The provisions of SB 473 which allow an employer to purchase specified service are permissive in nature and, as a result, it is difficult to estimate participation. However, under the bill, the costs are to be paid by the employer purchasing service on behalf of member. Consequently, the increase in benefit payments would be offset by employer contributions to the TRF, resulting in no net cost to the TRF.

#### **Administrative-**

Processes are already in place for an employer to purchase service credit for an employee under the Golden Handshake Program, and for an employee to purchase permissive service credit. Any additional costs associated with an employer purchase of permissive service or a redeposit of contributions by an employee would be negligible and absorbable within existing resources.

### **POSITION - Sponsor**

SB 473 provides a means for school districts to meet specific workforce management objectives and provide increased retirement benefits in a manner that is suitably funded.