

## STATE TEACHERS' RETIREMENT SYSTEM

### BILL ANALYSIS

**ASSEMBLY BILL 1102**, Assembly Member Knox (As Amended 08/04/98)

**Position:** Support

**Proponents:** CTA, FACCC (Co-Sponsors), ACSA, BOG, CFT, CRTA, CSEA, PERS, STRS, UTLA

**Opponents:** None known

### SUMMARY

Would enact the **Ralph Dills Teacher Recruitment and Retention Act of 1998**, and:

- redefine “final compensation” for managers and administrators mean compensation earnable during any 12 consecutive months
- extend eligibility for unused sick leave credit to all members of the State Teachers’ Retirement System (STRS) Defined Benefit Plan who retire on or after January 1, 1999
- eliminate the restriction that currently prohibits a member who reinstates from retirement from receiving credit at a subsequent retirement for unused sick leave accrued after termination of the his or her original retirement
- require the Teacher’s Retirement Board to make optional benefits available to school districts and allow an employer, subject to collective bargaining, to contract with the board for such benefits. Would allow for the recovery of costs from a school district by a county schools superintendent and specifies contract terms, benefit invoices and forms, and payment procedures
- provide a “30 and out” retirement option for members retiring after January 1, 1999, with 30 years of credited service at age 50 or older, with an annual allowance of 2% of final compensation for each year of credited service
- make various declarations and findings, including the importance of the bill for teacher recruitment and retention

The bill also includes a Government Code provision for members, except school safety members, under the Public Employees’ Retirement System.

## **HISTORY**

### SB 647 (Chapter 89, Statutes of 1974)

Under the provisions of this bill, the opportunity to receive service credit for unused sick leave days at the time of retirement was granted to STRS members retiring on or after March 23, 1974. It was anticipated that this benefit would reduce sick leave usage and enable employers to achieve some salary savings from not having to hire substitute teachers to replace teachers who might otherwise have been absent from the classroom. However, the anticipated reduction in sick leave usage and the projected salary savings were not realized. Consequently, employer costs increased as employers continued to pay salary for teachers who were absent from work because of illness, covered the cost of substitute teachers, and also paid STRS for the cost of the additional benefit at retirement.

### SB 90 (Chapter 1135, Statutes of 1977)

This bill required the state to pay for the increased benefits payable for unused sick leave as a state-mandated local cost.

### SB 797 (Chapter 1201, Statutes of 1979)

This bill limited the crediting of service for unused sick leave to persons who became STRS members prior to July 1, 1980.

### SB 1499 (Hughes, 1994)

This bill, vetoed by the Governor, would have allowed employers to elect to provide service credit for unused sick leave at retirement to those employees who become STRS members after July 1, 1980.

## **CURRENT PRACTICE**

Current law provides for members with membership dates prior to July 1, 1980 to receive service credit at the time of retirement for accumulated unused sick leave. Employers currently contribute 0.25% of payroll for the costs of the additional service credit for these members.

When a member who is eligible for this benefit applies for service retirement, the employer certifies to STRS the number of unused sick leave days for which the member is entitled to receive credit.

The average service credit resulting from unused sick leave at the time of retirement amounts to 0.604 year of service credit.

Current law also provides that a retired member who reinstates is not eligible to receive credit at a subsequent retirement for unused sick leave accrued after termination of the original retirement.

## **DISCUSSION**

Proponents of this bill believe it is a major inequity that because of a person's membership date he or she is not eligible for a benefit enjoyed by other members of the State Teachers' Retirement System Defined Benefit Plan. Some proponents also believe that expanding eligibility to receive credit at retirement for unused sick leave would discourage the unnecessary use of sick leave as a member who is currently ineligible for this benefit approaches retirement. Employers have indicated that providing this benefit would be less costly than retaining substitutes to fill-in for teachers who are absent from the classroom on sick leave, although history would not seem to support this assertion.

## **FISCAL IMPACT**

### Program:

- Sick Leave

Extending eligibility to receive credit for unused sick leave to all members of the STRS DB Plan would cost 0.272% of payroll, or \$44,472,000 annually.

- One-year Final Compensation

Estimated payroll for FY 1998-99 is \$17,248, 554, 693. The cost of providing this benefit to all STRS members would be 1.639% of payroll, or \$282.7 million. The cost of providing this benefit to just managers and supervisors would be .082% of payroll, or \$14.1 million.

- 30 Year and Out  
.920% of payroll, or \$158.7 million.
- Negotiable Member Benefit Contracts  
Unknown at this time.

Administrative:

AB 1102 does not define the phrase "optional school benefits" and, as a result, the costs to the system are difficult to calculate. In addition, the bill allows employers/districts to contract with STRS, so the costs and any workload increase would depend, in part, upon how many employers/districts chose to participate. In any event, STRS estimates the costs to be \$154, 329 and 2.49 PYs.

Potential additional costs to the system's START (State Teacher's Automation Redesign Team) project and the Information Technology Services Division, for automation and computer modifications, are unknown at this time.

**POSITION**

Support - STRS members with membership effective dates prior to July 1, 1980, are granted service credit at retirement for unused sick leave. This bill would allow persons who became members of the DB Plan on and after July 1, 1980 to also receive credit for unused sick leave and, therefore, an increased retirement allowance based on the additional service credit thereby treating all members of the Plan consistently and equitably. The provisions in the bill which would afford school districts a variety of optional benefits, including one-year final compensation and "30-and-out," would provide flexibility and ultimately enhance overall benefits.