

STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Assembly Bill 311 **Assembly Member Honda (As Introduced 2/8/99)**

Position: **No position**

Proponents: **CTA (sponsor)**

Opponents: **None known**

SUMMARY

AB 311:

- requires that five members of the Teachers' Retirement Board be elected, at an election conducted by the Secretary of State, by the members of the group to which they belong, for 4-year terms commencing upon the terms in existence on January 1, 2000.
- requires three elected members to be classroom teachers in grades K-12, one elected member to be a community college instructor, and one elected member to be a retired member.
- deletes the requirement that two members be officers of a life insurance company and a bank, and instead increases from one to three the number of appointed members representing the public for four-year terms, subject to Senate confirmation.
- deletes the requirement that a member of the Board be a school board member or community college trustee.
- requires the board to adopt regulations regarding these elections, and exempts the regulations from the requirements of the Administrative Procedure Act.
- permits the board to establish a full-time position to implement the regulations and requires costs of the elections to be paid by the Teachers' Retirement Fund as appropriated in the annual Budget Act.

HISTORY

Similar legislation has been introduced several times in the past 11 years. Historically, the Board does not take positions on measures related to board elections and the board's composition.

AB 2768 (PER&SS, 1998) vetoed
 AB 885 (Honda, 1997) vetoed
 SB 168 (Hughes, 1996) died
 SB 277 (Hughes, 1994) vetoed
 AB 216 (Hughes, 1991) died
 AB 2642 (Elder, 1990) vetoed
 AB 3194 (Elder, 1988) vetoed

CURRENT PRACTICE

Under existing law, the CalSTRS Defined Benefit Program and the Cash Balance Benefit Program are administered by the 12-member Teachers' Retirement Board.

Two of the 12 members of the Board must be CalSTRS members who are classroom teachers in kindergarten or grades 1 through 12, and another member must be a retired member of the system. A fourth member must be a school board member or a community college trustee. All four of these members are appointed by the Governor for 4-year terms from a list submitted by the Superintendent of Public Instruction.

Another member of the Board is required to be a community college instructor with expertise in business or economics or both, and is appointed by the Governor for a four-year term from a list submitted by the Board of Governors of the California Community Colleges.

One member of the Board is required to be an officer of a life insurance company and one member of the Board is required to be an officer of a bank. An eighth member of the Board represents the public. The Governor appoints these members for four-year terms, subject to confirmation by the Senate. The remaining four members are on the Board by virtue of their state office.

DISCUSSION

AB 311 changes the distribution of board seats and how some members are selected, as follows:

DISTRIBUTION OF BOARD SEATS

<i>Board Member</i>	<i>Current</i>	<i>Proposed</i>
K-12	2	3*
Community College	1	1*
Retired	1	1*
School Board	1	0
Life Insurance, Bank	2	0
Public	1	3
State Office	4	4
TOTAL	12	12

*Elected

Last year's board election bill, AB 2768 (Honda, 1998), was vetoed by Governor Wilson. The Governor's veto message of that legislation stated, in part:

"There is no need to substitute for the current appointments process a cumbersome election process costing the Teachers' Retirement Fund over \$150,000 a year. Proposition 162 established in the state constitution the responsibilities and priorities for STRS Board members. As such, Board members are responsible for representing the interests of the entire system, not just those of individual constituencies. Conducting elections to name parochial representatives would undermine this principle."

AB 311 allows the Board to establish a full-time position to implement the provisions of the bill. Under Proposition 162, however, the Board has the authority to appropriate funds for staff positions without authorization in the annual Budget Act.

CalSTRS staff estimates that a minimum of 12 months would be required to complete the process for development and adoption of regulations necessary to conduct the board elections required under AB 311. As a result, the January 1, 2000 effective date may not provide adequate time to properly implement the bill's provisions.

Supporters of previous legislation requiring board elections have argued that elected Board members would be more responsive to the System's membership. Opponents have contended that such responsiveness is not necessarily good on a Board which controls the assets and benefit levels of a retirement system.

The CTA, sponsor of AB 311, has indicated to staff that it intends to amend the bill to remove the Secretary of State from the board elections process at CalSTRS. In place of this existing language, AB 311 would be amended to provide the Board with flexibility in conducting the election, and authorize the Board to contract with a private or public third party to conduct the elections.

FISCAL IMPACT

Benefit Program - None.

Administrative - As currently drafted, the bill requires the Secretary of State to conduct the elections, subject to reimbursement of those costs by CalSTRS. The Secretary of State has recommended that their responsibility for this function be deleted and provided no estimate of its cost to conduct the elections.

The fiscal effect of conducting the election with CalSTRS staff is currently being determined. Based on the Public Employees' Retirement System's (CalPERS) experience with Board elections, CalSTRS estimates administrative costs of at least \$500,000 per election cycle, or at least \$125,000 per year, assuming that the three K-12 member elections can be held simultaneously. The annual costs to implement the bill would vary from year-to-year according to the Board positions being filled.

Staff has contacted the Sacramento County Registrar of Voters to discuss the feasibility and cost of that office conducting CalSTRS' board elections. County staff provided an approximate cost of two to five dollars per vote. On this basis, total administrative costs would range from \$1 million to \$2.6 million per election cycle.

The cost of conducting the elections depends upon the specific tasks the Registrar would perform. In any event, the cost of paying Sacramento County to conduct the elections would likely be less than using the services of a private party. The costs for the County to conduct the election would vary depending upon:

- Whether the elections would be conducted solely by mail and, if so, whether pre-paid postage would be used
- Whether ballots would be mailed to members First Class or Bulk Rate
- Whether bar code ballots would be used, and if so, whether there would be a process to independently verify the signature of the voters
- Whether the registrar would be responsible for sending separate Notice of Elections information to the membership, and announcing nomination periods
- The Registrar's role, if any, in preparing and processing the candidate statements. For example, the Registrar can issue and assist in the preparation of Candidate Fact Sheets. The Registrar issues guidelines on Statements of Qualifications and then reviews candidate statements to ensure that guidelines are followed
- Whether elections would be staggered or consolidated

POSITION

No position. Historically, the Board has not taken a position on legislation that concerns its composition.