

STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Senate Bill 1074

Senate PE&R Committee (As Introduced 2/26/99)

Position:

Sponsor

Proponents:

None known

Opponents:

None known

SUMMARY

SB 1074 is the annual CalSTRS technical housekeeping bill, which makes various technical and conforming changes to the Teachers' Retirement Law (TRL). Among the major specific changes are:

- Conforming to changes in the name of the two CalSTRS retirement programs made last year
- Codifying existing CalSTRS regulations
- Restructuring of existing statutory language concerning concurrent retirement
- Codifying existing practice in reporting of contributions by individual districts
- Providing consistency in reporting deadlines with respect to the Cash Balance Benefit Program
- Extending the earnings limit exemption for class size reduction to reflect newly authorized class size reduction programs and
- Removing references to repealed sections and correcting grammatical errors

HISTORY

Chapter 1077, Statutes of 1998 (O'Connell—SB 610) extended reciprocal rights to persons who retire concurrently under CalSTRS and retirement systems established under the County Employees Retirement Law of 1937.

Chapter 1048, Statutes of 1998 (Burton—SB 2085) merged the Defined Benefit Plan and the Cash Balance Benefit Plan into two programs contained in the State Teachers' Retirement Plan.

DISCUSSION

1. Retirement Program Name Changes

SB 2085 merged the Defined Benefit Plan and the Cash Balance Plan as two programs (named Defined Benefit Program and Cash Balance Benefit Program, respectively) within a single plan and trust. SB 1074 makes additional conforming changes in references to the program and the plan throughout the Teachers' Retirement Law (TRL).

Sections of the Education Code affected: 22000, 22007, 22008, 22119.2, 22128, 22135, 22136, 22147, 22147.5, 22148,22327, 22455.5, 22457, 22458, 22459, 22508.5, 22514, 22601.5, 22602, 22604, 22717, 22803,22805,22820,22823, 23702,23851, 24101.5, 24212, 24600, 26401.5, 44494

Government Code Section 20639 was also amended to conform to this change

2. Codification of Existing Regulations

Currently, many of the legal provisions affecting CalSTRS are included in Title 5 of the California Code of Regulations. These regulations do not have the same visibility to interested parties that the TRL has, which can result in some people not being fully aware of the entire current law affecting CalSTRS. In addition, the process of amending regulations can be cumbersome and less visible than changes in statutory law. SB 1074 codifies the existing regulations affecting CalSTRS, consolidating the legal provisions to a single location.

Sections of Education code affected: 22106.1, 22106.2, 22156.1, 22156.2, 22156.5, 22163, 22170.5, 24205

3. Concurrent Retirement

Existing law provides specific rights to CalSTRS members who also are members of one or more specific California public retirement systems, including how final compensation is computed when the member retires concurrently in another system, the right to redeposit accumulated retirement contributions, and the eligibility to retire. SB 1074 restructures the existing provisions contained in the TRL, with no substantive impact, to clarify specifically the benefits associated with reciprocity and concurrent retirement. It also simplifies any future legislative efforts to extend reciprocity to other retirement systems.

Sections of the Education Code affected: 22134, 22161.2, 23201, 24201

4. Codification of Existing Reporting Practices

Current law requires the county superintendents to report contributions to the Board, but does not authorize a school district or community college district to report directly. In a few cases, generally due to practices in effect before the districts joined CalSTRS, some districts report directly. SB 1074 codifies this procedure and conforms the reporting requirements currently imposed on county offices and those districts reporting directly to the Board.

Sections of Education Code affected: 23003, 23006

5. Cash Balance Benefit Program Reporting Requirements

Current law requires employers to report contributions along with other information required by the system within certain time periods. Employers are also required to transmit the contributions within certain time periods. Among other changes, SB 1074 adjusts the reporting deadline from 15 calendar days to 10 working days following the last day of the pay period in which the salary was earned. The period allowed for transmitting the funds is extended from five to ten days to conform the delinquent period to the reporting deadline, making them both ten days. This provides consistency requested by employers.

Section of Education Code affected: 26301, 26303, 26504, 26603, 26604

6. Expansion of the Earnings Limit Exemption

Current law exempts members who retired as of July 1, 1998 from the post-retirement limit on compensation for creditable service if they are employed to provide instruction in vacancies created by the original K – 3 Class Size Reduction Program. Existing law does not extend the exemption to retired teachers hired to teach in classes created by the Grade 9 program that was authorized last year. This language would apply to any class size reduction program authorized in the Education Code, now and in the future. This will permit the earnings limit exemption provision to reflect any changes in class size reduction without requiring any additional legislative action. The Board is sponsoring urgency legislation, AB 335 (Mazzoni), which makes the same proposed changes to take effect immediately and apply to the 1999-2000 school year.

Section 24216.5

7. Technical Clean-Up

In prior years, changes have been made to the TRL that were not fully reflected elsewhere in the law. SB 1074 removes references to repealed sections and clears up incorrect references to conform to previous changes in the TRL.

Sections of the Education Code affected: 22104, 22138.5, 22161, 22306, 22400, 22502, 22503, 22504, 22516, 22714, 22955, 24300, 24305.5, 24306, 24307, 26135, 26215

Finally, SB 1074 contains language that prevents this bill from chaptering out any legislative changes made to code sections contained in this bill during the 1999 calendar year and taking effect on or before January 1, 2000.

FISCAL IMPACT

Benefit program – The provisions of SB 1074 that extend the earnings limit exemption should have no material effect on the amount spent by CalSTRS on benefits. Although members who would receive creditable earnings in excess of the limit would receive more in benefits under this bill than they would receive under current law, this assumes the member would continue to work once he or she reached the earnings limit in the absence of the proposed exemption. Because the current law reduces a member's retirement allowance by the entire amount that creditable earnings exceed the earnings limitation, very few members receive creditable earnings in excess of the limit. In fact, the number of retired members who exceeded the limit in 1997-98 without an earnings limit exemption was about one-half of one percent of the retired membership. Estimates indicate that the newly authorized Grade 9 Class Size Reduction Program will require an additional 650 teachers. Based on the experience with the K-3 Program, few of these teachers would be retired. Consequently, the number of teachers who would receive a benefit under this bill who would not receive that benefit under current law should be very small. No other provisions would have any impact on benefits paid to members.

Administrative – The bill can be implemented within existing resources and will not increase the ongoing workload within the system.

BOARD POSITION

Sponsor – This bill will make technical amendments necessary for continued effective administration of the system.