

# STATE TEACHERS' RETIREMENT SYSTEM

## BILL ANALYSIS

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### Assembly Bill 335

Assembly Member Mazzoni (Amended 3/23/99)

### Position:

Sponsor

### Proponents:

CFT

### Opponents:

None Known

### **SUMMARY**

AB 335 is an urgency measure that clarifies and conforms the existing earnings limitation exemption for retired teachers who returned to the classroom as a result of the K-3 Class Size Reduction Program to include the recently authorized Grade 9 class size reduction program, and future expansions of the class size reduction programs authorized by Part 28 of the Education Code.

### **HISTORY**

Chapter 1, Statutes of 1997 (AB 18--Mazzoni) retroactively made operative the provisions of Chapter 948, Statutes of 1996 (AB 1068--Mazzoni). These bills allowed an exemption to the earnings limit for members who retired on or before July 1, 1996 and were subsequently hired to alleviate the teacher shortage caused by the passage of the Class Size Reduction Program in grades K-3.

Chapter 965, Statutes of 1998 (AB 2765--Assembly PER&SS) extended exemption to members who retired on or before July 1, 1998. The existing earnings limit exemption expires July 1, 2002.

Chapter 334, Statutes of 1998 (SB 12--O'Connell) expanded the Class Size Reduction Program to include two classes within Grade 9.

AB 81 (Cunneen) would grant the exemption to high school math and science teachers. The Teacher's Retirement Board adopted a Support position on AB 81 at the February 4, 1999 Board meeting.

## **CURRENT PRACTICE**

Members retired for service may earn compensation up to \$18,750 in 1998-99 for creditable service during the school year, without a reduction in the retirement allowance. The limit is indexed annually to increases in the All-Urban California Consumer Price Index. The current limit will increase to \$19,050, effective July 1, 1999. Any creditable earnings in excess of this amount result in a dollar-for-dollar reduction in the retirement allowance up to the annual allowance. The member is eligible for an exemption from this limit if the member retired for service prior to July 1, 1998 and is employed by a school district under the following conditions:

1. The member provides classroom instruction to students in newly created K-3 classrooms, or is temporarily filling a position in grades 4-12 vacated due to a teacher who transferred to a K-3 classroom in the same district because of the Class Size Reduction Program.
2. The member is treated as part of a distinct class of temporary employees within the existing bargaining unit.
3. The employing school district submits documents required by the California State Teachers' Retirement System (CalSTRS) to substantiate the eligibility of the member for the exemption.

## **DISCUSSION**

Last year, the Legislature expanded the Class Size Reduction Program to include two classes within Grade 9. Existing law does not extend the exemption to include retired teachers hired to teach in classrooms created in the new Grade 9 program. In addition, because of the popularity of class size reduction as an educational reform, this program may be extended to additional grades. Amending the exemption language after each expansion of the program would result in a one-year delay in extending the earnings limit exemption to correspond to newly authorized programs. AB 335 is an urgency measure that clarifies and conforms the earnings limitation exemption to any class size reduction program as authorized by Part 28 of the Education Code, in anticipation of an expansion of grade levels covered under class size reduction, beginning with the 1999-2000 school year. This bill would eliminate the need to legislate a new exemption for each future expansion, allowing retired members as well as districts to react immediately to alleviate future teacher shortages.

## **FISCAL IMPACT**

Benefit program – Extending the earnings limitation as proposed 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. The exemption proposed in this bill will expand existing exemptions for the Class Size Reduction Program. During the 1997-98 school year, a total of 448 retired teachers qualified for an earnings limit exemption under the class size reduction program under current law. Of those, 365 exceeded the limit and therefore benefited from the exemption. 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.

Administrative – CalSTRS would incur minor absorbable costs to administer the expanded benefits.

## **POSITION**

Sponsor. The bill is a minor extension of the existing exemption that prudently expands the benefits paid to members, and would not materially affect the benefit costs of the retirement fund. By adopting the proposed amendments, the system will have legislative authority to exempt eligible retired members from the earnings limit if and when the Legislature makes changes to the class size reduction program in order to permit more rapid availability of retired teachers for future programs.