

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
BILL ANALYSIS**

Assembly Bill 141 **Assembly Member Knox (As amended 4/4/00)**

Position: **Support**

Proponents: **CASBO (Sponsor)**

Opponents: **Unknown**

SUMMARY

AB 141 extends the current exemption from the earnings limitation for retired members of the California State Teacher Retirement System's (CalSTRS) Defined Benefit (DB) Program who are employed on an emergency basis to fill an administrative position vacated due to circumstances beyond the control of the employer. The extension could equal one-half of a full-time equivalent for the position, and applies to the 1999-2000 school year and 2000-2001 school year through December 31, 2000.

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 exempted from the earnings limit 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 the exemption for class size reduction to members who retired on or before July 1, 1998 and extended the sunset date to July 1, 2002.

Chapter 40, Statutes of 1999 (AB 335—Mazzoni) extended 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.

AB 81 (Cunneen) would have exempted from the earnings limit members who retired for service on or before July 1, 1998 if they were subsequently employed by a high school to teach math or science. AB 81 failed passage in the Assembly Revenue and Taxation Committee.

AB 1733 (Wildman) eliminates the earnings limit.

AB 1736 (Ducheny) exempts from the earnings limit a member who retired on or before July 1, 2000 and who is employed to provide direct remedial instruction to pupils in K-12 education.

SB 1505 (Alarcon) suspends for five years the statutory earnings limitation for CalSTRS members who (1) retired on or before January 1, 2000 and (2) return to K-12 schools or County Offices of Education to provide direct classroom instruction or to provide support for various programs, such as student interns or the Beginning Teacher Support and Assessment Program.

CURRENT PRACTICE

Current law permits a member who retired for service to earn compensation of up to \$19,050 for creditable service during the 1999-2000 school year, without a reduction in the retirement allowance. The limit is indexed annually to increases in the All-Urban California Consumer Price Index. In 2000-01, the earnings limit increases to \$19,650. Any creditable earnings in excess of this amount result in a dollar-for-dollar reduction in the retirement allowance up to the annual allowance. Existing exemptions from the earnings limitation include the following:

- A member who retired for service and performs additional service under the following conditions:
 1. The member is appointed by the Superintendent of Public Instruction or county superintendent of schools to serve as a trustee or an administrator. This exemption is available for a maximum of two years and sunsets on July 1, 2003.
 2. The member is employed on an emergency basis to fill an administrative position that requires specialized skills and is vacated due to circumstances beyond the control of the employer. In order to receive the exemption, the employment must be reported in a public meeting and the recruitment process to fill the position on a permanent basis must be expected to extend over several months. This exemption also sunsets on July 1, 2003.
- A member who retired for service on or before July 1, 1998, and is employed either to (1) provide direct classroom instruction to in any statutorily authorized class size reduction program or (2) temporarily fill a position vacated by a teacher who transferred to a classroom in the same district because of the Class Size Reduction Program. This exemption, which sunsets on July 1, 2002, is subject to the following conditions:
 1. The member is treated as part of a distinct class of temporary employees within the existing bargaining unit.
 2. The employing school district submits documents to CalSTRS to substantiate the eligibility of the member for the exemption.

DISCUSSION

AB 141 extends the earnings limit up to an additional 50 percent of a full time equivalent (FTE) for retired members who are employed to fill an administrative position that is vacant for reasons beyond the employers' control. For a member to be eligible for the proposed extension, this vacancy cannot have been filled previously by any retired member who received an exemption pursuant to this proposed provision. Although AB 141 would apply to any school district, the operative dates (July 1, 1999 through December 31, 2000) will probably restrict the application to a few school districts. In 1998-99, only 165 exemptions for vacant administrative positions were granted. As a result, the number of exemptions given an additional exemption under this bill would likely be very small.

FISCAL IMPACT

Benefit Program Costs – This proposal will have no actuarial impact on the system because the valuation of the DB Program assumes that members do not work beyond the earnings limit. To the extent that members earn compensation in excess of the limit, the resulting reduction in CalSTRS benefits could result in an unanticipated actuarial gain to the program. Extending the earnings limit exemption for the limited period of time would result in the system foregoing that actuarial gain. Because the provision probably would apply to very few members, that foregone gain probably would not be significant.

Administrative Costs – This bill will result in minor, if any, implementation costs.

POSITION

Support. The Board has historically supported legislation that temporarily exempts members from the earnings limit if the member is filling a position that has a demonstrated difficulty in being filled.