

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Assembly Bill 1736 **Assembly Member Ducheny (As amended 5/1/00)**

Position: **Support, if amended**

Proponents: **Unknown**

Opponents: **Unknown**

SUMMARY

AB 1736 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 grades 2-12, inclusive.

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 276—Assembly PER&SS) extended the exemption to members who retired on or before July 1, 1998 extended the sunset date to July 1, 2002.

Chapter 40, Statutes of 1999 (AB 335—Mazzoni) clarified 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 141 (Knox) extends for an additional six months the current exemption from the earnings limitation for retired members who are employed on an emergency basis to fill an administrative position vacated due to circumstances beyond the control of the employer.

AB 1733 (Wildman) eliminates the earnings limit.

SB 1505 (Alarcon) suspends for five years the statutory earnings limitation for California State Teachers' Retirement System (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.

SUMMARY OF AMENDMENTS

AB 1736 was amended on 5/1/00 to limit the earnings limit waiver to teachers who provide direct remedial instruction to pupils in grades 2-12, inclusive. The bill as introduced applied to teachers providing remedial instruction to pupils in K-12.

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 2000-02, the 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 who is appointed as a trustee or administrator or who is employed on an emergency basis to fill certain administrative positions. This exemption 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 CalSTRS to substantiate the eligibility of the member for the exemption.

DISCUSSION

According to the author's office, AB 1736 will help to alleviate teacher shortages, but the primary intent of this bill is to address the low achievement level of students by providing retired teachers an incentive to reinstate in order to provide direct remedial instruction to pupils in grades 2 – 12 inclusive. AB 1736 is intended to target a pool of qualified and experienced teachers to raise the academic performance of under-achieving students. The author's office did not present any documentation demonstrating a lack of qualified teachers for remedial education in K-12, but indicated this bill could help address the shortage of teachers in general, especially in light of the low test scores by students throughout California.

Although remedial instruction is offered at the community college level, this bill would not exempt earnings of retired members working in community colleges. The Chancellor's Office for community colleges did not have any information documenting a shortage of teachers for such purposes.

This bill permanently eliminates the earning limit for members who can earn compensation by providing remedial instruction in grades 2 – 12, but only if they retire on or before July 1, 2000. As a result, AB 1736 would apply to teachers who have already retired and would not apply to those who retire in the future. This is consistent with the requirement imposed on members who are exempt from the earnings limit due to the class size reduction program, although the exemption for class size reduction expires in 2002. Staff anticipate that members who receive a full retirement benefit when they otherwise would have received a reduced benefit is relatively small. There are 1,733 retired members working under the class size reduction exemption in the current school year out of the 18,000 retired who currently are working. A total of 488 members have exceeded the earnings limit during the 1998-99 school year.

The Education Code currently does not define remedial instruction, although it is generally understood to mean supplemental instruction intended to bring students up to grade level achievement. In order to maintain consistency in how this exemption is applied, the bill should be amended to specify what constitutes remedial instruction.

FISCAL IMPACT

Benefit Program Costs – This proposal will have no actuarial impact on the system because the valuation of the Defined Benefit 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. Exempting members who retire prior to the bill's effective date for the limit would result in the system foregoing that actuarial gain. Staff anticipates that the foregone gain would not be significant.

Administrative Costs – This bill will result in minor and absorbable implementation costs.

POSITION

Support, if amended to define remedial education.