

# STATE TEACHERS' RETIREMENT SYSTEM

## BILL ANALYSIS

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**Assembly Bill 596**                      **Assembly Member Honda (As Amended 5/19/99)**

**Position:**                                      **Neutral, if amended**

**Proponents:**                                **California State University, San Jose**

**Opponents:**                                **None known**

### **SUMMARY**

AB 596 authorizes a CalSTRS member to purchase up to three years credit in CalSTRS for time served as a volunteer in the Peace Corps or VISTA. The bill disallows such a credit if the member received or is eligible to receive credit for that same time in the Cash Balance (CB) Benefit Program, or other retirement system.

### **HISTORY**

SB 1027 (Chapter 569, Statutes of 1997) authorizes CalSTRS members to purchase additional service credit for out-of-state public school employment, effective 1/1/99.

SB 2126 (Chapter 1076, Statutes of 1998) permits CalSTRS members with at least five years of credited service to purchase up to five years of nonqualified service credit.

### **CURRENT PRACTICE**

Current law provides for the purchase of various types of service credit by a member, including:

- Nonqualified service (or credit for service not related to any specific prior activity, also known as "airtime")
- Sabbatical leave
- Certain active military leave
- Prior service with California State University, a publicly supported and administered college or university, or a California Community College
- A certified position at a child care center
- Maternity/paternity leave
- Approved leave to participate in a specified federal educational and cultural leave program
- Family Care and Medical Leave Act
- Certificated position at Indian school in California

- Certificated position with Job Corps
- Teaching position at the School for the Blind or the School for the Deaf

The amount of service credit purchased in these categories is subject to limitations specified in law. All service credit is subject to payment of contributions prior to retirement by the member electing to purchase the additional service credit. In addition, eligibility for any of the categories is limited to persons who have not received or are eligible to receive credit for the time under the Cash Balance (CB) Benefit Program or another retirement system.

## **DISCUSSION**

AB 596 allows a member to elect to receive credit for time served, not to exceed three years, as a volunteer in the Peace Corps or Vista, unless the member has received or is eligible to receive credit for that time in the CB Benefit Program.

With the exception of nonqualified service, the type of service authorized to be purchased by CalSTRS members for the DB Program has some relationship to a teaching career. This relationship can be in terms of (1) providing teaching service elsewhere, (2) interrupting a teaching career to provide a specific service, such as military service, or (3) taking a leave for a specific purpose, such as sabbatical or maternity/paternity leave. In contrast, the service that could be purchased under AB 596 does not have to be related to providing any teaching service, nor is it necessarily provided during a break from teaching in the California public schools.

In addition, in its current form, the service purchased under AB 596 could be used to qualify for the .2% career bonus, if it increased a member's creditable service to 30 years or more. Because the bill does not require the Peace Corps or VISTA service be related to teaching, it would not be consistent with the underlying intent of the career bonus to permit the use of such permissive service for such purposes. In addition, the additional cost associated with using Peace Corps or VISTA service to qualify for the career bonus would not be reflected in the cost charged to the purchasing member.

## **FISCAL IMPACT**

Benefit Program- The provisions of AB 596 that allow a CalSTRS member to elect to purchase service credit are permissive in nature and, as a result, it is difficult to estimate participation. The estimated population of eligible CalSTRS members is 21,000. Under current law, the costs are to be paid by the employee purchasing service prior to retirement. Consequently, the increase in benefit payments would be offset by employee

contributions to the Teachers' Retirement Fund (TRF), and generally would not result in a net cost to the Fund. If, however, the service qualified the member for the career bonus, the additional cost of that increased benefit would not be reflected in the cost charged to the member for the service.

Administration- Absorbable one-time costs of \$20,000 and ongoing costs to implement this proposal.

**POSITION - Neutral, if amended**

The Board adopted a Neutral position on AB 596 if the bill is amended to require that the Peace Corps or VISTA service be consistent with activities undertaken by public school teachers and provided during a break in service subject to coverage by the DB Program, and the member returns to creditable service. This is consistent with existing requirements imposed on CalSTRS members purchasing federal Job Corps service.