

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Assembly Bill 649

Assembly Member Machado (As amended 6/8/00)

Position:

Support, if amended

Proponents:

**Department of Personnel Administration,
Department of Justice**

Opponents:

State Personnel Board

SUMMARY

AB 649 allows a California State Teachers' Retirement System (CalSTRS) member who becomes employed by the state in a specific bargaining unit to elect to retain membership in the CalSTRS Defined Benefit (DB) Program. Current state employees who were vested members of CalSTRS and who were required to be members of the state employee California Public Employees Retirement Systems' (CalPERS) Tier II plan could elect to return and remain in the DB Program. The bill converts unused educational leave to service credit for specified state employees covered by the DB Program who retired on or after January 1, 2000. The bill also implements other changes in the state bargaining unit agreements, which will not be addressed in this analysis.

HISTORY

Chapter 954, Statutes of 1975 (AB 1105—Deddeh) provided state employee CalSTRS members a one-time right to elect of CalPERS membership, in lieu of CalSTRS membership. This election was deemed necessary due to the Total Equivalent Compensation (TEC) Act of 1974, which established additional benefits for state employees covered by CalPERS. This one-time election was the alternative provided to those members who requested benefit parity after the passage of the TEC Act.

AB 2916 (O'Connell—1994) vetoed by the Governor, would have provided certain CalSTRS members who were subsequently employed to perform service with specified state agencies to elect to remain in CalSTRS. The Governor's veto message stated the bill would have inequitably provided a more costly benefit to a select group of employees and should be subject to collective bargaining.

Chapter 838, Statutes of 1997 (SB 227—Solis) permitted vested CalSTRS members who were employed by a community college district and who subsequently became employed by the Board of Governors of the California Community Colleges to perform duties that require membership in a different public retirement system (e.g., CalPERS) to elect, in

writing within 60 days after the individual's entry into the new position, to remain in CalSTRS.

SB 1694 (Ortiz) allows a member of CalSTRS who becomes employed by the state, and a state member of CalPERS who becomes employed to perform service that is creditable under CalSTRS, to elect to be excluded from membership in the other system, and continue to have his or her service subject to the retirement system of which they currently are a member. The Teachers' Retirement Board (Board) adopted a support if amended position on this bill.

CURRENT PRACTICE

A school employee who is a member of the DB Program and who becomes employed by the same or a different school district, community college district or county superintendent of schools to perform service that requires membership in another public retirement system, such as CalPERS, may elect to have that service in the new position covered under the DB Program. Alternatively, a school member of CalPERS who changes jobs and performs service that is creditable under the DB Program may elect to have such service credited under CalPERS.

This CalSTRS-CalPERS election initially was a reciprocal provision that was available to employees who change employment in positions only within the California local public school system. This changed with Chapter 838, Statutes of 1997 (SB 227—Solis), which allowed a vested CalPERS member who was employed by the Board of Governors of the California Community Colleges and who subsequently was employed by a community college district to perform duties that required membership in a different public retirement system, for example CalSTRS, to elect in writing within 60 days after the individual's entry into the new position to remain in CalPERS. It also permitted a vested CalSTRS member who subsequently was employed by the Board of Governors to elect to remain in CalSTRS. Finally, Chapter 838 authorized the member to elect by March 1, 1998 to return to CalSTRS, if the member became a state employee between July 1, 1991 and January 1, 1998, and CalPERS transferred to actuarial value of assets in the member's account to CalSTRS.

Educational leave is provided to state employees in Bargaining Unit (BU) 21 (Educational library employees) to attend or participate in educational or leave programs at accredited schools for purposes related to the member's work assignment. Under current law, unused educational leave cannot be converted to service credit within the DB Program. In 1999, the BU 21 agreement permitted state employees covered by CalPERS to convert unused educational leave to CalPERS service credit upon retirement. Subsequent to this agreement, BU 21 employees requested that their CalSTRS members be provided this benefit. This bill implements that agreement for CalSTRS-covered state employees, but not to local employees.

DISCUSSION

AB 649 allows vested CalSTRS members who were hired by the state in specific bargaining units between July 1, 1991, and the effective date of the bill to elect to return to and remain in the DB Program.

The provisions of this bill concerning the conversion of unused educational leave implement an agreement between the Department of Personnel Administration and the bargaining unit. (CalSTRS was not informed of this provision until after the agreement was reached). A similar provision was agreed to for state employees who participate in CalPERS. Under that agreement, the state as an employer would pay the cost of the benefit. Under the proposal in this bill, however, CalSTRS would bear the cost of the converted leave.

In addition, the authority for CalSTRS members to convert unused educational leave to service credit is limited to those members employed by the state. Permitting members from individual employers to obtain benefits is not consistent with the policies of the Board, which include equitable treatment of its members. Therefore, this provision should be amended so that conversion of the unused educational leave to service credit upon retirement be made available statewide as a bargainable benefit. In addition, consistent with other benefits subject to bargaining, the costs of the benefit should be paid either by the employer and/or member.

FISCAL IMPACT

Benefit Program Costs – Any change in liability would depend on which retirement system members elected to participate in. Any increase in liability to CalSTRS resulting from elections made under the bill would be offset by contributions paid by the member. The bill requires that a member who becomes employed by the state and who elects to retain DB Program coverage pay all contributions with respect to state service. Therefore, there would be no additional costs to the Teachers' Retirement Fund (TRF) for this election.

The bill's educational leave provisions, however, do not require an eligible member to pay any additional contributions to cover the cost of the leave credit. About 20 individuals would be eligible under the bill. Any costs resulting from the conversion of educational leave to service credit would be borne by the TRF. Given the small number individuals who would be eligible for the conversion, the costs to the System would be less than \$20,000.

Administrative Costs – Probably minor and absorbable costs.

POSITION

Support, if amended to authorize educational leave credits and the conversion to service credit to be available statewide to all DB Program members, subject to payment by the employer and/or member. AB 649 would extend to state employees an opportunity given to employees of other public education agencies, if amended, to elect to stay with their original retirement system, or change to another.