

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Senate Bill 1666

Senator Alarcon (As amended 6/15/00)

Position:

Support

Proponents:

Unknown

Opponents:

Unknown

SUMMARY

SB 1666, Chapter 70, Statutes of 2000, exempts a member of the California State Teachers' Retirement System (CalSTRS) from the earnings limitation if he or she retired from service on or before January 1, 2000 and is employed to provide direct classroom instruction to pupils in K-12, inclusive. The exemption would also apply to positions that provide support to new teachers, that support individuals completing student teaching assignments or students participating in the Pre-internship Teaching Program, in an alternative certification program, or in the School Paraprofessional Teacher Program. This exemption applies to the 2000-01 school year and would remain in effect until July 1, 2005. SB 1666 also contains other teacher recruitment incentives as proposed in the Governor's 2000-01 Budget that do not directly affect the Teachers' Retirement Fund and will not be addressed further in this analysis.

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 PERR&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 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 current earnings limitation of \$19,050.

AB 1736 (Ducheny) exempts from the earnings limitation members who retired on or before July 1, 2000 and return to the classroom to provide direct remedial instruction to pupils in K-12, inclusive.

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 2000-2001, the earnings limit will be \$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 an administrative position. 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 due to 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

This bill reflects the Governor's incentives to provide a variety of incentives to recruit teachers. These proposals were included in his proposed 2000-01 Budget. The only proposal in SB 1666 to directly affect CalSTRS would suspend for five years the statutory earnings limitation for CalSTRS members who (1) retired for service (not disability) prior to 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.

This bill will not provide an incentive for active members to retire because it is limited to those who have retired on or before January 1, 2000. This is consistent with the requirement imposed on members who are exempted from the earnings limit due to the class size reduction program. We anticipate that members who will receive a full retirement benefit when they otherwise would have received a reduced benefit will be 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 current school year. The class size exemption applies to members who retired on or before July 1, 1998. The proposal in SB 1666 would permit members who retired on or before January 1, 2000 to be exempted from the earnings limit. As a result, a member who retired during that 18-month period could work until July 2005 without being subject to the earnings limit.

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 no 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, which has an estimated annual value of about \$1 million.

Administrative Costs – Minor and absorbable.

POSITION

Support. This proposal is consistent with previous proposals to provide exemptions the earning limit to members who retired prior to the bill's effective date in order to address difficulties in filling CalSTRS-covered positions.