

# CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

## BILL ANALYSIS

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### Assembly Bill 816

Assembly PER&SS Committee (As amended 8/21/00)

### Position:

Sponsor

### Proponents:

None known

### Opponents:

None known

## SUMMARY

AB 816 is the annual California State Teachers' Retirement System (CalSTRS) technical housekeeping bill which makes various technical and conforming changes to the Teachers' Retirement Law (TRL) to facilitate efficient administration of the system. The specific changes:

1. Clarify the standard for full-time community college instructors employed in adult education programs.
2. Conform current law to existing practice with respect to the definition of an inactive member in a year-around school.
3. Correct reference to a nonexistent code section in code section defining "present value."
4. Correct oversights in the 1999 Housekeeping Bill (SB 1074).
5. Add reference to the Internal Revenue Code regarding membership in the Defined Benefit (DB) Program.
6. Clarify continued coverage under California Public Employees' Retirement System (CalPERS) for charter schools.
7. Clarify that an option beneficiary may select a death beneficiary.
8. Clarify how the career bonus is applied when a retired member reinstates.
9. Clarify that an option beneficiary for a member who dies will receive a benefit based on the assumption that the member retired for service on the date of his or her death.
10. Clarify that the minimum guarantee allowed under Chapter 632 (SB 713 – Burton) is subject to the two percent cost-of-living adjustment (COLA) and purchasing power protection.
11. Clarify existing provisions and eliminate ambiguities in existing law.
12. Require notification of retirement system options offered by charter schools.

## HISTORY

Chapter 678, Statutes of 1998 (AB 1166—House) modified and clarified minimum standards for determining full-time for purposes of crediting service for CalSTRS members.

Chapter 632, Statutes of 1999 (SB 713—Burton) added Section 24410.5 to the Education Code, which provides for a minimum guaranteed income for teachers who have a career of at least 20 years and have retired on or before January 1, 2000.

Chapter 939, Statutes of 1999 (SB 1074—PERS) made technical clarifying amendments to the TRL necessary for continued effective administration of the system.

## **CURRENT PRACTICE**

CalSTRS sponsors an annual omnibus bill to make the necessary technical, nonsubstantive changes to the TRL for purposes of clarity and more effective administration of the system.

## **DISCUSSION**

### 1. Clarification of Standards

Different types of instructors are subject to different minimum standards in determining what constitutes full-time membership for purposes of determining credited service. The minimum standard for part-time instructors is 525 hours per year, while the minimum standard for adult education instructors is 875 hours. Current law is unclear regarding the appropriate standard for a part-time adult education instructor. AB 816 clarifies that the adult education standard for community college instructors is 875 hours, regardless of whether the member is a full-time or part-time instructor. This is consistent with current practice.

*Education Code section affected by amendments: 22138.5.*

### 2. Conform Existing Law to Year-Around Schools

The current definition of an inactive member does not take into account the schedule for year-around schools, which results in some members being classified erroneously as inactive. For example, a member of the DB Program who works for a year-around school and whose track terminates on April 30, 1999, but attains age 60 on September 15, 1999 and retires on that date would be considered inactive. The bill conforms to current practice by replacing the reference to the end of traditional school year (June 30) with a generic reference to the school year prior to or during which the member retires.

*Education Code section affected by amendments: 22146.*

### 3. Correct Reference to Non-Existent Code Section

The current definition of present value refers to Section 22723, which is a non-existent code section. This amendment changes the reference to Section 22718, regarding the authorization for billing employers for sick leave credit.

*Education Code section affected by amendments: 22156.1.*

4. Correction of Oversights in 1999 Housekeeping Bill

Current law defines reinstatement as a change in status of a disabled or retired member, but omitted one of the relevant sections concerning disability. In addition, a reference to “service” in Section 24201 regarding qualifications for service retirement does not clarify credit as “service credit.” These were oversights from last year’s housekeeping bill. These changes reflect current practice and clarify the intent of current law. Finally, the bill clarifies the length of the time a member can participate in the Reduced Workload Program.

*Education Code sections affected by amendments: 22163, 24201, 22713, 23001, 23008 and 44922.*

5. Add Reference to the Internal Revenue Code

This bill refers to Internal Revenue Code Section 401(a)(9)(G) to clarify that the DB Program is in accordance with the Internal Revenue Code.

*Education Code section affected by amendments: 22500.*

6. Clarification of Continued Coverage under CalPERS for Charter Schools

Current law permits employees who change from CalSTRS-covered service in a school to CalPERS-covered service or vice versa to retain membership in the original retirement system. Not all charter schools offer service under CalPERS. The bill clarifies that a member of CalPERS who works for a charter school may elect to continue coverage in CalPERS if the charter school offers coverage in CalPERS.

*Education Code section affected by amendments: 22508.*

7. Permit an Option Beneficiary May Select a Death Beneficiary

The bill permits an option beneficiary to designate a death beneficiary who can receive the accrued monthly allowance upon the option beneficiary’s death. This could save a significant amount of work CalSTRS and the option beneficiary’s estate for what is often a very small amount of money.

*Education Code section affected by amendments: 23300.*

8. Application of Career Bonus to Service Credit Earned by Reinstatement

Under current law, a member who retires with 30 years receives a career bonus of 0.2 percent per year of service. This bill clarifies that if a member reinstates and earns total service credit equal to or greater than 30 years, the member’s allowance reflects the career bonus.

*Education Code section affected by amendments: 24201 and 24211.*

9. Clarification of Benefit for Option Beneficiary

Current law regarding the pre-retirement election of an option states that if a member dies and elected an option beneficiary prior to his or her death, the option beneficiary will receive the option benefit based on the assumption that the member retired for service on the date of death. The TRL has subsequently been amended to permit members to retire under different circumstances and have their service retirement benefit calculated using different methods. This bill updates the authority to reflect these subsequent amendments.

*Education Code Sections affected: 24307.*

10. Technical Clean-Up to the Minimum Guarantee

Chapter 632, Statutes of 1999 (SB—713 Burton) established Section 24410.5, which provides for a minimum guarantee allowance for career members. The allowance was developed to be subject to the annual 2 percent COLA, but not all the necessary language was included in the original legislation. The bill clarifies the COLA provision and the interaction of purchasing power protection to the minimum guarantee. In addition, Section 24410.5 refers to Section 24410.7, which was proposed to be added in other legislation. The legislation that would have added Section 24410.7 was not enacted, and this amendment deletes the reference.

*Education Code Sections affected by amendments: 22141, 24410.5, 24415 and 24417.*

11. Clarify Provisions in Existing Law and to Eliminate Ambiguities in Existing Law.

This bill makes grammatical changes to various provisions in existing law governing the administration of the benefits available under the DB Program.

*Education Code Sections affected by amendments: 22106, 22128, 22147.5, 22148, 22149, 22151, 22156, 22160, 22165, 22307, 22402, 24415, 24417, 22701, 22900, 22951, 22956, 23102, 23800, 23850, 26104.*

12. Require notification of retirement system options offered by charter schools.

This bill requires charter schools to notify all job applicants about public retirement options that the charter school elects to offer to employees. This will enable prospective employees to be aware whether they can continue to be members in their current public retirement system if they become employed by a charter school.

*Education Code Section affected by amendments: 47611.*

This bill also includes supercession language, which states that if other legislation is passed during the current legislative session that amends sections that also are included in this bill, the other legislation prevails.

**FISCAL IMPACT**

Benefit Program Costs – None.

Administrative Costs – One-time cost of \$75,000 to permit option beneficiaries to select death beneficiary.