

# STATE TEACHERS RETIREMENT SYSTEM

## BILL ANALYSIS

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**Assembly Bill 88,**      **Assembly Member Baca**      (As Amended 04/02/98)

**Position:**                      **Support**

**Proponents:**                **CTA (Sponsor), ACSA, ART, BOG, CFT, CRTA, FACCC, STRS, UTLA**

**Opponents:**                **Cal-Tax**

### **SUMMARY**

Would add an additional, optional service retirement plan authorizing service retirement for a member of the State Teachers' Retirement System (STRS) at age 55 years or any older age specified by the governing board, who retires on or after July 1, 1999, with a minimum of 5 years of credited service, without any allowance reduction, if the total of the member's age and credited service is at least 85, and the member retires within specified periods. The plan would be optional to each employer, would be effective only if the employer, by formal action, makes specified determinations and transmits an actuarial equivalent amount of money and STRS's related administrative costs to the System and would be applicable to all qualified employees who retire between 60 and 120 days of the effective date of the employer's formal action.

### **HISTORY**

This bill is essentially the same as AB-1463 (Horcher, 1995), which died 1/31/96. AB-449 (Horcher, 1993), AB-276 (Filante, 1991), AB-122 (Filante, 1989) and AB-3271 (Filante, 1988) were all vetoed.

### **CURRENT PRACTICE**

The normal retirement age under STRS' Defined Benefit Plan is age 60. Current law allows a member with a minimum of five years of service credit to retire at age 55 with an actuarial reduction in the member's retirement allowance. A member can retire as early as age 50 with thirty years of service credit. If a member retires earlier than age 60, the retirement allowance is reduced by one-half of one percent for each month the member is between age 55 and age 60. If a member retires earlier than age 55, the allowance is further reduced by one-quarter of one percent for each month the member is under age 55. If a member retires at or over age 60 there is no reduction in the member's allowance.

## **DISCUSSION**

AB-88 would add an additional early retirement incentive at or over age 55, with no actuarial reduction in the age 60 retirement factor. In order to participate in this early retirement incentive, the school district must demonstrate and certify that the action would either result in a net cost savings to the employer or the retention of certificated employees who are credentialed to teach in teacher shortage disciplines (i.e., mathematics and science). The district would also be required to certify that this incentive would not result in a cost to STRS, the district, the county superintendent, or the General Fund. The employer would be required to pay STRS the actuarial equivalent of the additional retirement allowance, including purchasing power payments the member receives.

## **FISCAL IMPACT**

Program - Since AB-88 would require employers to reimburse STRS for any cost incurred, this bill would not result in any increased program costs to STRS. There are, however, approximately 12,647 members between the ages of 55 and 60 who are currently eligible for the benefit provided with this bill (6488 females and 6159 males). If all employers elected to offer this benefit and all of the currently eligible members decided to take advantage of this benefit, the estimated cost to employers statewide would be .719% of payroll, or \$117,556,500 (1998-99 payroll is \$16,350,000,000). It is highly unlikely, however, that this level of participation in this program would materialize.

Administrative - Any administrative costs to STRS would, under the bill, be reimbursed by employers offering this alternative.

## **POSITION**

Support - AB-88 would provide an early retirement alternative for STRS members which employers could use to help manage their work force and all related costs to STRS would be reimbursed by the employer.