

BILL NUMBER: Assembly Bill 1101 (Eng) as introduced February 18, 2011

SUMMARY

This bill replaces the Teachers' Retirement Board member who is either a retired member of the Defined Benefit (DB) Program or a retired participant under the Cash Balance (CB) Benefit Program, and who is currently appointed by the Governor, with a retired member or participant who is elected by the retired members of the DB Program and the retired participants of the CB Benefit Program. The term for this board member is four years, starting January 1, 2016.

BOARD POSITION

No position. By board policy, the board does not take positions on legislation affecting its selection or composition.

SUMMARY OF AMENDMENTS

There are no amendments at this time.

PURPOSE OF THE BILL

This bill replaces the Governor-appointed retiree board member with an elected member from the same population.

ANALYSIS:

Existing Law:

The Teachers' Retirement Law delineates the broad criteria for the three elected board members and eligible voters in Education Code section 22200:

- An active member or participant who is employed by a district providing instruction for any of grades prekindergarten through 12 or by a county office of education, in a position other than a school administrator.
- An active member or participant who is employed by a district providing instruction for any of grades prekindergarten through 12 or by a county office of education.
- An active member or participant who is employed by a community college district.

Existing law also states that one of the persons appointed to the board by the Governor be either a retired member under the DB Program or a retired participant under the CB Benefit Program. The next term of the current retired board member will expire December 31, 2015.

Under the DB Program, an "active member" is defined as a member who is not retired or disabled and who earns creditable compensation during the school year. A "retired

member” is defined as a member who has terminated employment and to whom a service retirement or disability retirement benefit is payable. A “disabled member” is defined as a member to whom a disability allowance is payable.

Under the CB Benefit Program a “participant” is defined as a person who has contributions credited under the program or who is receiving an annuity under the program by reason of creditable service. A person who has taken his or her CB benefit in the form of a lump-sum payment is not considered a participant.

This bill:

This bill replaces the Teachers’ Retirement Board member who is either a retired DB member or a retired CB participant and appointed by the Governor with one who is elected by the retired members of the DB Program and the retired participants of the CB Benefit Program. The term for this new Board member is four years, starting January 1, 2016.

Therefore, all four of the board members who are members of CalSTRS would be elected by CalSTRS members. The two groups of CalSTRS members who would not be eligible to vote or to serve on the board would be inactive members, and those who are either receiving a disability allowance under the DB Program or a disability annuity under the CB Benefit Program. Of the remaining eight board members, four would still be appointed by the Governor and confirmed by the Senate. The other four board members would still serve in an ex-officio capacity by virtue of their office: Director of Finance (as appointed by the Governor), State Controller, State Superintendent of Public Instruction and State Treasurer.

Among the issues that have been raised relating to public pensions is the governance of the system. Some critics have recommended that more board members be independent of the membership of the system, and/or have more financial or investment expertise. For example, the Little Hoover Commission recommends that, “the Legislature must require government retirement boards to restructure their boards to add a majority or a substantial minority of independent, public members to ensure greater representation of taxpayer interests.” Although this bill would not change the make-up of the Teachers’ Retirement Board, having a board member directly elected by retirees reduces the independence of the board from its members.

LEGISLATIVE HISTORY

AB 1862 (Eng, Vetoed, 2010) replaced the Governor-appointed retiree member on the board with an elected member from the same population. This bill was vetoed.

AB 757 (PER&SS, Chapter 323, Statutes of 2007) included “prekindergarten” in the criteria for active members who are eligible to vote for and to run as candidates for membership on the board.

AB 419 (PER&SS, Chapter 11, Statutes of 2004) made clarifying changes to provisions enacted in the previous year that revised the composition of the board membership; clarified which position an individual could run for if they had worked in both a community college district and either a district providing instruction for any of grades

kindergarten through 12 or a county office of education; and staggered the terms of the public members appointed by the Governor.

SB 1580 (Burton, Chapter 1049, Statutes of 2002) required the three board members appointed by the Governor from the active member population to instead be elected by the active membership with four-year terms beginning January 1, 2004; removed the requirement that some of the Governor's appointees be made from a list submitted by the Superintendent of Public Instruction; removed the requirement that the community college instructor representative have expertise in the areas of business or economics; allowed the Governor to appoint three members to represent the public in general instead of appointing one member of the public, one officer of a life insurance company and one officer of a bank or a savings and loan institution; and required all Governor appointees to be confirmed by the Senate.

PROGRAM BACKGROUND

CalSTRS has held two elections (in 2003 and 2007) since the passage of Chapter 1049, Statutes of 2002 (SB 1580 – Burton) and is in the midst of holding a third election that will take place this fall. CalSTRS contracts with an election vendor who prepares the ballots and prints the candidate statements. The vendor carries out the elections as set forth by regulations adopted by the board, including mailing and tabulating the ballots.

Currently, active members and participants are eligible to serve as a candidate, nominate candidates and ultimately vote in the elections. The voter eligibility requirements are set forth in the Notice of Election published by the board with input from the Election Coordinator. Eligible members can vote by mail, phone or internet.

OTHER STATES' INFORMATION

A majority of the public education retirement systems in the United State provide for direct election of some of the trustees representing the membership.

FISCAL IMPACT

Program Cost – None.

Administrative Costs/Savings – Because the term of office for this seat coincides with the terms of the existing elected active members, the election for the retired member seat can be held at the same time as the elections for the terms beginning in 2016. Therefore, the increased cost of this election, including both staff and election vendor costs, would be approximately \$75,000.

SUPPORT

California Federation of Teachers (CFT) (sponsor)
California Retired Teachers Association

OPPOSITION

None known.

SUPPORTING ARGUMENTS

Includes an elected member on the board who by virtue of being elected is supported by a broad base of retired members and participants.

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