

STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Assembly Bill 1166, Assembly Member House

(Amended 6/04/98)

Proponents: STRS, PERS (Co-sponsors), AFSCME , CRTA

Opponents: None Known

SUMMARY

AB 1166 would establish new, more suitable minimum standards for specified part-time and full-time K-12 and community college employees for purposes of determining compensation earnable for service credit under STRS. Specifically, the bill would set minimum standards as follows:

- 1,050 hours per year for full-time adult education K-12 instructors;
- 1,050 hours per year or 175 days per year for community colleges credit instructors, counselors and librarians,
- 190 days per year or 1,520 hours per year for community college program managers and administrators (215 days per year or 1,720 hours for community college district office administrators);
- 525 hours per year for all part-time credit community college instructors; and 875 hours per year for all non-credit and adult education community college instructors.

The bill would also make numerous technical amendments to Public Employees' Retirement System (PERS) law, which this analysis does not address.

HISTORY

AB 301 (Cunneen, Chapter 933, Statutes of 1997) established the Part-Time Faculty Office Hours Program to provide students equal access to the part-time instructor. Authorized community college districts, pursuant to the Program, compensate part-time faculty for one paid office hour for every two classes or more taught per week or 40% of a "full-time load."

AB 1122 (Cannella, Chapter 390, Statutes of 1995) established appropriate minimum standards for full-time employment for various classifications of employees in K-12 and community colleges.

AB 3659 (Isenberg, Chapter 1308, Statutes of 1984) specified that service credit for part-time community college employees shall be based on the ratio of the total hourly or daily

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service performed to the service required by the district. The bill removed the minimum standard of 175 days or 1,050 hours of service in a school term as the base for a year of service credit for members employed in the community colleges.

CURRENT PRACTICE

The Teachers' Retirement Law (TRL), specifically Education Code Section 22138.5, establishes appropriate minimum standards for full-time employment for various classes of employees in K-12 and community colleges, for the purpose of determining compensation earnable for final compensation and service credit. Employers are required to establish a specific standard for full-time employment for any class of employee that is no less than the minimum standard applicable to that class under state law.

Existing law generally expresses the minimum standard for community colleges in terms of "teaching units," requiring 30 teaching units per year of not less than 35 weeks in duration. Current law also specifies minimum standards for all full-time adult education instructors to be 30 hours per week for 35 weeks, or 1,050 hours.

DISCUSSION

AB 1166 was introduced as "clean-up" legislation to AB 1122 from 1995, which was intended to provide minimum standards for "full-time" employment. AB 1166 is intended to clarify the standards enacted in AB 1122, make the standards consistent with the actual work schedules attributable to different types of credentialed staff, and to make it easier for districts to report earned service more accurately.

Instructors

Currently, the minimum for community college instructors is expressed as 30 teaching units, or 175 days. AB 1166 would express the minimum in days or hours per year (175 days or 1050 hours). This is equivalent to 15 hours of teaching per week (which is 30 teaching units per year) plus 15 hours of office hours, meetings and other non-instructional time generally spent by instructors. This also is consistent with the standards in effect before AB 1122.

Adult Education

AB 1166 provides that the minimum standard for employees in this class is 875 instructional hours per year. (25 hours/week for 35 weeks = 875). From STRS' discussions with employer and employee groups it appeared that 25 hours/week is the minimum that these instructors were performing. It does not, however, mean that all employers will negotiate to establish 875 as the full-time equivalent for adult education instructors. To do so, would reduce the earnable

compensation on which current benefits are based thereby harming the employee. STRS does not anticipate any measurable change in FTE's by employers and; therefore, no meaningful cost.

Counselor and Librarians

AB 1166 provides that the minimum standard for community college counselors and librarians is 1,050 hours/year or 175 days/year. This is consistent with the California Code of Regulations which applied to counselors and librarians before they were superseded by law changes. (All members of STRS, including counselors and librarians, have historically been subject to the 1,050 hours/175 days minimum, unless expressly excepted under those regulations.)

Part-Time Instructors

Employers must determine a full-time equivalent (FTE) for each position held by a part-time employee, for purposes of reporting "creditable service" to STRS. An employer's reporting practices impact the determination of earnable compensation and service credit.

The 525 hour annual minimum set forth in AB 1166 clarifies the 30 "teaching units" standard established in AB 1122. This clarified standard is reflected in hours to accommodate the reporting complexities expressed by employers. A full teaching load is 15 credit units (equal to 15 teaching hours per week) for two semesters (of 35 weeks), which is equal to 525 hours. A part-time teacher only has responsibility for teaching; office hours, committee meetings and other time-consuming tasks are not generally a component of such a job. If the instructor also has office hours, the standard would, under the bill, be correspondingly higher. The 525 hour standard is just a minimum and an employer and employee may establish a higher minimum in a collective bargaining agreement.

Vesting

Under the provisions of AB 1166, it may appear that part-timers would accrue one year of service credit at the same rate as full-timers and cost the System more as a result. For those who vest in the System, however, this is not the case because a member's retirement allowance is based on three factors, not service credit alone; service credit (or years of service), the age factor (the percent of pay to which you are entitled for each year of service credit, 2% at 60, or older), and final compensation (the highest average annual compensation earnable by a member during any period of three consecutive years). For example:

John retires at age 60 with 25 years of credited service, highest average three years compensation is \$45,000,

$$25 \text{ (service credit)} \times 2 \% \text{ (age factor)} \times \$3,750 \text{ (final compensation)} = \$1,875/\text{month}$$

If John were a part-time instructor:

$$25 \text{ (service credit)} \times 2\% \text{ (age factor)} \times \$1,875 \text{ (final compensation)} = \$937.50/\text{month}$$

A part-time instructor's final compensation would not necessarily be half that of a full-time instructor. However, the example illustrates that by allowing a part-time instructor to accrue service credit "quicker," or at the same rate as a full-timer, does not result in an increased cost to the System, since their final compensation is less.

Although, in theory, the standard being applied to adult education instructors under AB 1166 could permit such instructors to vest when they would not under either current law or the prior regulation, as a practical matter such increased vesting probably would only occur in rare circumstances. Under the existing 1,050 hour standard, an adult education instructor would earn a little over 4 1/6 years of service credit by working 875 hours per year for 5 years, while that member would vest with 5 years under the bill. In most cases, a member who wished to stay in the System for purposes of receiving a retirement allowance in the future and who was that close to vesting would simply work the additional months necessary to vest.

FISCAL IMPACT

We do not anticipate any real measurable change in FTE's (full-time equivalents) by employers, and, therefore, there is no real associated cost.

Program - Specifically, AB 1166 would have no material actuarial impact on the System's unfunded liability or funding period. While part-time instructors would accrue service credit at the same rate as full-time instructors, this would not result in a negative actuarial impact. Since the final compensation for part-time instructors is less than that for full-time instructors, and service credit is just one component in STRS' calculation of a member's retirement allowance, part-time instructors are not receiving a "windfall" under the bill (service credit + age factor + final compensation = retirement allowance). In addition, the only fiscal effect would be to the extent that more instructors would be eligible for and elect to receive a retirement allowance as a result of the bill. It is anticipated that any impact would be negligible.

Administrative - None.

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POSITION

Co-sponsor - This bill would establish suitable minimum standards for community college counselors and librarians, part-time credit and non-credit and adult education instructors.

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