

STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Assembly Bill 2768, Assembly PER&SS, Assembly Member Honda

(Introduced 2/26/98)

Position: No Position

Proponents: Assembly Member Honda (Sponsor), ART, CTA, CFT, CRTA, FACCC

Opponents: None Known

SUMMARY

AB-2768 would:

- clarify that the Governor's appointee to the State Teachers' Retirement Board from the membership of the governing board of a school district or community college would be for a four-year term
- remove, from among the Governor's appointees to the Board, the life insurance company officer, the bank or savings and loan officer, and the kindergarten or K-12 classroom teachers
- require that the community college instructor and the retired Defined Benefit Plan or Cash Balance Plan participant appointees be elected to the Board, instead of appointed by the Governor
- increase the public membership on the Board from one to three persons
- specify that Board terms, each four years in duration, begin on January 1, and expire on December 31 of the calendar year
- require the Board to conduct elections pursuant to regulations it adopts and would provide for procedures in the event of vacancies on the Board
- authorize the Board to establish a full-time position to implement the bill's provisions and requires that all costs of the elections be paid from the Teachers' Retirement Fund as appropriated in the annual Budget Act.

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HISTORY

The Board did not take a position on any of the following measures which also would have required election of the four State Teachers' Retirement System (STRS) members of the Board:

AB-885	(Honda, 1997)	vetoed
SB-168	(Hughes, 1996)	died
SB-277	(Hughes, 1994)	vetoed
AB-216	(Hughes, 1991)	died
AB-2642	(Elder, 1990)	vetoed
AB-3194	(Elder, 1988)	vetoed

CURRENT PRACTICE

Under existing law, the STRS and the Teachers' Retirement Cash Balance Plan are administered by the 12-member Teachers' Retirement Board, comprised as follows:

- four members serve in an ex-officio capacity by virtue of their constitutional office (the State Superintendent of Public Instruction (SPI), the State Controller, the State Treasurer, and the State Director of Finance)
- two teacher representatives from grades K-12 who are appointed from a list of candidates recommended by the SPI
- a retired member of STRS who is appointed from a list of candidates recommended by the SPI
- a community college instructor who has expertise in the areas of business, economics, or both, appointed from a list submitted by the Board of Governors of the California Community Colleges
- a member of the governing board of a school district or a community college district, who is appointed from a list of candidates recommended by the SPI
- An insurance official, confirmed by the Senate
- an officer of a bank or savings and loan institution, who has at least five years of broad professional investment experience, confirmed by the Senate

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- a person to serve as a public representative, confirmed by the Senate

With the exception of the ex-officio members, all the remaining Board members are appointed by the Governor to serve four-year terms.

DISCUSSION

The provisions in AB-2768 which would require an appropriation in the annual Budget Act are inconsistent with Proposition 162 and should be deleted. The Board has the authority to appropriate funds for positions without authorization in the Budget Act.

STRS staff estimate that a minimum of twelve months would be required to complete the process for development and adoption of regulations necessary to conduct the board elections required under this bill. As a result, the January 1, 1999 effective date may not provide adequate time to properly implement the bill's provisions.

Supporters of this legislation in the past have argued that elected Board members would be more responsive to the System's membership. Opponents have contended that such responsiveness is not necessarily good on a Board which controls the assets and benefit levels of a retirement system.

In the veto message to last year's board election bill, AB-885 (Honda, 1997), the Governor stated:

“There is no need to substitute the current appointments process with a cumbersome elections process costing the Teachers' Retirement Fund over \$125,000 a year ... Board members are responsible for representing the interests of the entire system ... not just those of individual constituencies. Conducting elections to name parochial representatives would undermine this principle.”

FISCAL IMPACT

Program - None

Administrative - Based on the Public Employees' Retirement System's experience with Board elections, STRS has estimated administrative costs of approximately \$614,296 per election cycle, or \$153,574 per year assuming that the 2 active member elections can be held at the same time. The annual costs would vary from year-to-year according to the Board position being filled.

RECOMMENDATION

None - The Board does not take a position on legislation which concerns its composition.