

BILL NUMBER: AB 989 (Mullin) as amended June 17, 2013

SUMMARY

AB 989 authorizes CalSTRS to provide the annual Retirement Progress Report along with various other retirement communications electronically in lieu of mailing them, unless the member, nonmember spouse, participant, nonparticipant spouse or beneficiary to whom that communication is addressed specifically requests to continue receiving the communication by mail.

BOARD POSITION

Sponsor. This bill improves the delivery of benefits and services and provides more effective and efficient administration of the retirement plan.

SUMMARY OF AMENDMENTS

The June 17, 2013, amendments:

- Clarify that the system may designate electronic communication as the default method of communication or other action for specified sections, provided that the system notifies the parties affected that they have the right to request delivery by mail.
- Remove the requirement that the affected party must elect to continue delivery by mail within 60 days.
- Include an additional section where electronic delivery may be permitted at such time the system designates it as the default method of communication.
- Make other minor technical and clarifying changes, including replacing the word "board" with "system" when the function is administrative in nature.

REASON FOR THE BILL

To allow CalSTRS to provide, in lieu of mailing, an electronic copy of specific retirement-related communications to the persons to whom the communication is addressed, unless the person specifically requests to continue receiving the communication by mail.

ANALYSIS:

Existing Law:

The Teachers' Retirement Law requires the board to issue, via mail, numerous retirement-related communications to members, nonmember spouses, participants, nonparticipant spouses or beneficiaries. For example, current law requires that the board mail an annual statement or Retirement Progress Report to each active or inactive member of the Defined Benefit Program or participant of the Cash Balance Benefit Program, unless the member or participant has indicated that he or she prefers to receive the Retirement Progress Report only through the system's secure member website, myCalSTRS.

This Bill:

AB 989 authorizes CalSTRS to provide the annual Retirement Progress Report along with various other retirement-related communications electronically in lieu of mailing them, unless the member, nonmember spouse, participant, nonparticipant spouse or beneficiary to whom that communication is addressed specifically requests to continue receiving the communication by mail. This authority would allow the system to designate electronic delivery as the default method of communication, requiring recipients, should they choose to continue receiving the documents by mail, to submit a request to CalSTRS, in a manner specified by the system, indicating their delivery preference.

Although this bill provides CalSTRS the authority to designate electronic delivery as the default method of communication or other action for specified sections, CalSTRS plans to notify the affected individuals that they have the right to request to continue receiving delivery by mail. In addition, until such time that the designation is made, mail shall continue to be the default method of communication, unless the recipient of the communication had previously requested to receive that communication electronically as specified by the system.

CalSTRS would likely significantly decrease the number of Retirement Progress Reports that are printed and mailed annually resulting in a cost savings to CalSTRS. However, there may also be increased one-time costs associated with this proposal, which means the initial cost savings may not be fully realized in the first year. For example, there may be costs associated with updating START to provide for the change to current procedures, developing a concerted communications strategy to inform members of the changes, and handling the increased workload associated with an increase in member correspondence related to requesting to continue receiving their Retirement Progress Report by mail.

In addition, discontinuing the mailing of other documents or statements to the member, nonmember spouse, participant, nonparticipant spouse or beneficiary in favor of making them available only via myCalSTRS will also result in a cost savings to CalSTRS. For example, CalSTRS will be able to upload service credit purchase bills and refund letters to myCalSTRS, unless the recipient requests to have those items mailed directly to him or her. This change helps to support CalSTRS' ongoing commitment to sustainability as well as create a potential savings to the system.

LEGISLATIVE HISTORY

AB 2663 (Committee on Public Employees, Retirement & Social Security, Chapter 864, Statutes of 2012) made various technical and conforming changes to the Teachers' Retirement Law to facilitate efficient administration of the State Teachers' Retirement Plan. Specifically, provided that for members who receive their benefit allowance via electronic funds, CalSTRS need only mail payment information if there is a net change in the benefit due to an annual enhancement or an adjustment to an income tax withholding table.

AB 232 (Hill, Chapter 90, Statutes of 2009) authorized the board to implement technology improvements in the delivery of benefits and services to members,

participants and beneficiaries. Specifically, authorized: (1) the prescribed form of accepting electronically signed applications and documents, and (2) not mailing a copy of benefit payment information when payments are made by electronic funds transfer, unless there is a change in the net amount paid.

PROGRAM BACKGROUND

There are an estimated 250,000 members that have created a myCalSTRS account to date, and an estimated 60,000 members have opted to receive their Retirement Progress Report electronically through myCalSTRS. Currently, unless a member specifically states that they would only like to receive their Retirement Progress Report electronically, they are able to receive it both by mail and electronically. In addition, members that have created a myCalSTRS account are able to access their most recent Retirement Progress Report, as well as previous Retirement Progress Reports dated as far back as 2002, and receive their Retirement Progress Report approximately two months earlier than those receiving it by mail.

In 2011, CalSTRS uploaded a total of 629,220 Retirement Progress Reports to myCalSTRS, which included those members who requested to receive their Retirement Progress Report only electronically, and mailed an estimated 425,116 to a valid mailing address for those who had not opted to receive it electronically. Also, there were approximately 144,000 Retirement Progress Reports that were uploaded but were undeliverable by mail because CalSTRS did not have a valid mailing address for the member. There is a possibility that those members who were unable to receive their Retirement Progress Report via the mail were able to access it through myCalSTRS.

FISCAL IMPACT

Program Cost – No impact on benefit costs.

Administrative Costs/Savings – Initial implementation costs of approximately \$50,000, which include START and myCalSTRS changes; however, the costs would be offset by a potential savings ranging from \$500,000 - \$700,000 annually mainly due to decreased costs associated with printing and mailing the Retirement Progress Reports and handling those that are returned.

SUPPORT

CalSTRS (Sponsor)
California Federation of Teachers
California Teachers Association

OPPOSITION

None known.

ARGUMENTS

Pro: Supports CalSTRS ongoing commitment to sustainability.

Potential savings mainly related to a decrease in the yearly printing and mailing of Retirement Progress Reports.

Decrease in undeliverable Retirement Progress Reports being returned, resulting in less ongoing workload.

Con: Initial increase in workload for several business areas related to educating members about changes.

Cost savings may not be as high as estimated initially if many members opt to continue receiving mailed Retirement Progress Reports.

If a member, nonmember spouse, participant, nonparticipant spouse or beneficiary fails to take action and does not opt to receive a printed copy of the Retirement Progress Report, or other retirement communication, or establish a myCalSTRS account, there is potential for the person to not receive the document.

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