

**BILL NUMBER: AB 989 (Mullin) as introduced February 22, 2013**

**SUMMARY**

AB 989 authorizes CalSTRS to provide the annual Retirement Progress Report to active and inactive members of the Defined Benefit (DB) Program electronically, unless the member specifically requests, in a manner specified by the Teachers' Retirement Board, to receive their Retirement Progress Report 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.

**REASON FOR THE BILL**

To allow CalSTRS to provide, in lieu of mailing, an electronic copy of the annual Retirement Progress Report to members, unless the member specifically requests to continue receiving their Retirement Progress Report by mail.

**ANALYSIS:**

**Existing Law:**

The Teachers' Retirement Law requires that the board issue an annual statement or Retirement Progress Report to each active or inactive member of the DB Program, unless the member 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 electronically in lieu of mailing them, unless the member specifically requests, in a manner specified by the board, to continue receiving their Retirement Progress Report by mail. Therefore, this bill would make receiving a Retirement Progress Report electronically the default method, requiring members, should they choose to continue receiving the Retirement Progress Report by mail, to submit a request to CalSTRS, in a manner specified by the board, indicating their delivery preference.

CalSTRS would likely significantly decrease the number of Retirement Progress Reports that are printed and mailed annually resulting in a cost savings to CalSTRS, but 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, there may be additional opportunities for CalSTRS to have the authority to discontinue mailing other documents or statements to members in favor of making them available only via myCalSTRS. For example, CalSTRS would be able to upload service credit purchase bills and refund letters to myCalSTRS, unless the member requests to have those items mailed directly to him or her. This change would also help 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, which include START and myCalSTRS changes; however, the costs would be offset by a potential savings ranging from \$500,000 - \$700,000 annually due to decreased costs associated with printing and mailing the Retirement Progress Reports and handling those that are returned.

## **SUPPORT**

CalSTRS (Sponsor)

## **OPPOSITION**

None known.

## **ARGUMENTS**

Pro: Supports CalSTRS ongoing commitment to sustainability.

Potential savings 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 fails to take action and does not opt to receive a printed copy of the Retirement Progress Report or establish a myCalSTRS account, there is potential for the member to not receive the Retirement Progress Report.

## **LEGISLATIVE STAFF CONTACT**

Melissa Gear  
Legislative Advocate,  
CalSTRS Legislative Affairs,  
(916) 414-1982  
mgear@calstrs.com

Mary Anne Ashley  
Director,  
CalSTRS Governmental Affairs and Program Analysis,  
(916) 414-1981  
mashley@calstrs.com

Richard Woonacott  
Deputy Secretary, Legislation  
State & Consumer Service Agency  
(916) 468-8478  
richard.woonacott@scsa.ca.gov