

**BILL NUMBER:**

**SUMMARY**

This measure makes minor and conforming changes to provisions regarding membership in the Defined Benefit Program (DB) and participation in the Cash Balance (CB) Benefit Program resulting in the following:

- Consistent membership dates for persons who mandate into DB membership based on their employment status.
- Clarification of benefit program participation for persons employed by an employer that offers the CB Benefit Program.

**BOARD POSITION**

**Sponsor.** This bill will make various technical, conforming or minor amendments necessary for continued effective administration of the DB and CB Benefit programs.

**REASON FOR THE BILL**

This bill will help ensure continued effective and efficient plan administration for CalSTRS internal and external customers.

**PROGRAM BACKGROUND & ANALYSIS:**

Membership Dates for Mandated Membership

*Background*

Educators are mandated into the DB Program when they are employed to perform creditable service:

- On a full-time basis.
- On a part-time basis for 50 percent or more of the time required for a full-time position.
- As a substitute employee for 100 or more complete days of creditable service in one school year for one employer.
- On a part-time hourly basis for 60 or more hours of creditable service during a pay period for one employer.
- On a part-time daily basis for 10 or more days of creditable service during a pay period for one employer.
- On a permanent basis as specified for community college districts.

Members hired on a full-time basis are members as of the first day of employment. Membership for employees hired above the membership threshold on a part-time basis for 50 percent or more of full time or on a permanent basis, however, is effective the first day of the pay period following employment. Depending on whether employment is deemed to commence prior to the first pay period or during the first pay period, this provision can cause employers to delay membership by one month for some part-time members.

*Proposed*

This measure changes the DB Program membership effective date for members who are hired on a part-time basis for 50 percent or more of full time and those hired on a permanent basis to the first day of employment. It also restructures various sections to remove redundancies, improves readability and makes other conforming changes.

*Sections affected: 22502, 22503, 22504, 26400 and 26401*

Aggregating Service in Multiple Positions for Mandated Membership*Background*

For purposes of determining DB Program membership, current law prohibits CalSTRS from aggregating service in multiple positions to determine whether a person is employed on a full-time basis but does not specify whether CalSTRS is prohibited from aggregating positions for persons employed on a part-time basis. CalSTRS consistently applies the same practice in both instances.

*Proposed*

This measure clarifies that CalSTRS shall not aggregate service in multiple positions to determine membership for persons performing creditable service on a part-time basis for 50 percent or more of the time required for a full-time position.

*Section affected: 22502*

Membership Provisions for Community College Employees*Background*

Current law references community college employees in code sections applying to full-time and substitute employment, while other sections classify these employees on a temporary or permanent basis. Community college districts classify their employees on a temporary or permanent basis, so referencing them in statutes addressing full-time or substitute service is confusing and inconsistent.

*Proposed*

This measure clarifies that DB Program membership for a community college employee is based on whether or not the person is employed on a temporary basis as specified. It also restructures various sections to remove redundancies and improve readability.

*Sections affected: 22001.5, 22501, 22502, 22503, 22504, 22601.5, 22602 and 22604*

Defined Benefit Membership for Persons Employed by Cash Balance Employers*Background*

The CB Benefit Program is a CalSTRS retirement plan that employers may offer as an alternative to Social Security or other plans for part-time, substitute, adjunct or temporary educators. Current law is intended to incentivize employers to offer the CB Benefit Program by allowing employers to avoid monitoring employees using service thresholds for mandatory DB membership under the program. Therefore, certain mandated membership statutes specify whether or not they apply to persons employed by an employer that offers the CB Benefit Program.

*Proposed*

This measure removes unnecessary language specifying application to employers offering the CB Benefit Program within those statutes that apply to all employers. The measure adds clarifying language to sections that do not apply to persons employed by employers offering the CB Benefit Program. It also clarifies that although persons under certain sections are not subject to DB membership, they are subject to coverage by the CB Benefit Program if it is offered by the employer.

*Sections affected: 22502, 22503, 22504, 22601.5, 22602 and 22604*

Permissive Election of Cash Balance Participation*Background*

Persons performing trustee service for an employer offering the CB Benefit Program are eligible to elect to participate in the CB Benefit Program for that service. Likewise, a person who elects Social Security or alternative retirement program coverage for service performed for an employer offering the CB Benefit Program can later elect to participate in the CB Benefit Program for service performed for that employer. However, the law does not specify how the election is made, when the election is effective and if the election is irrevocable.

*Proposed*

This measure specifies the process by which eligible employees may elect to participate in the CB Benefit Program.

*Sections affected: 26400 and 26403*

Member Eligibility to Elect Defined Benefit Coverage after Cash Balance Coverage*Background*

A member of the DB Program whose basis of employment with an employer offering the CB Benefit Program makes them eligible for participation in the CB Benefit Program may elect to participate in the CB Benefit Program for service performed for that employer. However, the law does not specify whether that election is irrevocable or if the member can later elect DB coverage for service performed for that employer.

*Proposed*

This measure specifies the process for a current member of the DB Program who first elects to participate in the CB Benefit Program for service performed for an employer offering the CB Benefit Program to later elect DB coverage for subsequent service for that employer.

*Sections affected: 26400 and 26401*

**LEGISLATIVE HISTORY**

SB 2082 (Royce, Chapter 497, Statutes of 1988) deleted the language stating membership is effective the first day of the pay period during which the service for one school district or county office of education was performed.

AB 1298 (Ducheny, Chapter 592, Statutes of 1995) established provisions for the CB Benefit Program.

AB 3076 (Mullin, Chapter 474, Statutes of 2004) amended CalSTRS membership requirements to add provisions specific to community college district employees who often temporarily exceed service for 50 percent or more of full time.

AB 991 (PER&SS, Chapter 123, Statutes of 2015) reorganized the CB Benefit Program participation statutes and specified participation in the program by substitute employees.

## **FISCAL IMPACT**

Program Cost – Although starting DB membership upon employment would potentially result in an additional month of service credit for a very small population, any increase in liabilities for this additional service would be covered by the contributions collected from members, employers and the state. Since base contributions more than cover the amount necessary to fully fund the normal cost of the benefit, the contributions above the normal cost would help pay down the unfunded actuarial obligation.

Administrative Costs/Savings – Minor and absorbable.

## **SUPPORT**

CalSTRS (Sponsor)

## **OPPOSITION**

None known.

## **LEGISLATIVE STAFF CONTACT**

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