

SUMMARY

SB 1376 is the annual California State Teachers' Retirement System (CalSTRS) technical "housekeeping" bill. The bill makes various technical and conforming changes to the Teachers' Retirement Law (TRL) to facilitate efficient administration of the State Teachers' Retirement Plan (Plan), which includes the Defined Benefit (DB) Program, the Defined Benefit Supplement (DBS) Program and the Cash Balance (CB) Benefit Program.

PURPOSE OF THE BILL

SB 1376 will help ensure continued effective and efficient Plan administration for all of CalSTRS internal and external customers.

BOARD POSITION

Sponsor. This bill will make technical and conforming amendments necessary for continued effective administration of the System.

LEGISLATIVE HISTORY

Chapter 6, 3rd Extraordinary Session of 2008 (AB X3 8—Budget Committee) specified the 2008-09 Supplemental Benefit Maintenance Account (SBMA) General Fund transfer shall be made on November 1, 2008, instead of July 1, 2008.

Chapter 323, Statutes of 2007 (AB 757—PER&SS Committee) made a variety of technical and conforming changes to the Teachers' Retirement Law to facilitate efficient administration of CalSTRS.

Chapter 655, Statutes of 2006 (SB 1466—PE&R Committee) made a variety of technical and conforming changes to the Teachers' Retirement Law to facilitate efficient administration of CalSTRS.

Chapter 351, Statute of 2005 (AB 224—PER&SS Committee) made a variety of technical and conforming changes to the Teachers' Retirement Law to facilitate efficient administration of CalSTRS.

Chapter 1021, Statutes of 2000 (AB 2700—Lempert) made all creditable service compensation payable to CalSTRS, with compensation for service in excess of 1,000 years of service per school year payable to the DBS Program. The measure also specified that only creditable compensation for which member contributions are contributed to the DB Program shall be used in calculating the state's contributions to the SBMA and the DB Program.

Chapter 1166, Statutes of 1992 (SB 1885—C. Green) established the survivor benefits and disability programs for members known as "Coverage B," which brought CalSTRS into compliance with the federal Older Workers Benefit Protection Act.

Chapter 115, Statutes of 1989 (SB 1407—C. Green et al.) established the SBMA and its funding mechanism of an annual transfer of a set percent of statewide teacher payroll.

PROGRAM BACKGROUND

State Contributions to CalSTRS

Every year, the state makes quarterly contributions to the Teachers' Retirement Fund in the amount of a set percentage of creditable compensation of the fiscal year ending in the preceding calendar year. The state also makes an annual contribution of 2.5 percent of creditable compensation of the fiscal year ending in the preceding calendar year to the SBMA. CalSTRS calculates the prior year's creditable compensation each October and forwards this data to the Department of Finance to support the state's contributions for the following fiscal year.

Coverage B Active Member Survivor Benefits

CalSTRS provides survivor benefits to the beneficiaries of members who die before retiring under Coverage B if the member joined CalSTRS after October 15, 1992 or elected Coverage during the subsequent election period. Under Coverage B, an active member's surviving spouse or children may qualify to receive a monthly benefit in addition to the one-time death benefit.

ANALYSIS:

State Contributions to CalSTRS

Education Code Part 13, Chapter 16 addresses employer and state contributions to the Teachers' Retirement Fund. At present, Chapter 16 directs CalSTRS to calculate the amount of creditable compensation annually on October 1. However, because of delays in the reporting of contribution information from employers, CalSTRS does not determine total credible compensation for the prior year until early October. Based on discussions with the Department of Finance related to the due date for reporting this amount, CalSTRS proposes changing this date to provide CalSTRS and the Department of Finance sufficient time to calculate the correct amount of credible compensation.

Education Code Section 22954(b) addresses the SBMA continuous appropriation. As this section does not have an explicit due date for calculating the appropriation amount, SB 1376 clarifies the date is the same as that in calculating the continuous appropriation amount.

Education Code Section 22955 defines the methodology for calculating the continuous appropriation amount. Section 22955(a) appropriates 2.017 percent of prior-year creditable compensation shall be annually transferred to the Teachers' Retirement Fund. Section 22955(b) appropriates .524 percent of prior-year creditable compensation to fund the normal cost deficit or unfunded obligation as determined by the Teachers' Retirement Board. The date for each calculation is October 1. SB 1376 amends this date to October 25.

Education Code Section 22955.5 defines 'creditable compensation' as used in the preceding two sections. SB 1376 adds text to this definition to clarify the final date that CalSTRS may report an adjustment to the calculated amount of creditable compensation that will affect the continuous appropriation amounts for the subsequent fiscal year.

Sections Affected: 22954, 22955, 22955.5.

Coverage B: Active Member Survivor Benefits

California Education Code Part 13 Chapter 23 (Sections 23850 – 23859) addresses death benefits and survivor benefits paid upon the death of active members with Coverage B. Section 23856 allows CalSTRS to pay a survivor benefit allowance to a surviving spouse or to eligible

dependent children of a deceased member if there is no surviving spouse. Section 23859 further requires that upon termination of a survivor benefit pursuant (for example, death of the surviving spouse), if the total allowance paid or payable is less than the amount of the member's accumulated retirement contributions at the time of death, the remaining balance shall be paid to the estate of the spouse. Section 23859 does not, however, specify what is to happen to the remaining balance when the eligible dependent children described above are no longer eligible for the child's allowance.

SB 1376 clarifies that the balance of a deceased member's account may be paid to the member's designated beneficiary upon termination of all children's allowances. This action parallels the action taken under Coverage A (Education Code 23811 provides that upon termination of family allowance prior to the payment of allowances equal to the member's accumulated contributions, the balance shall be paid to the member's beneficiary).

Section affected: 23859.

FISCAL IMPACT

Benefit Program Cost – None.

Administrative Costs/Savings – Minor and absorbable.

SUPPORT

CalSTRS (Sponsor).

OPPOSITION

None known.

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