

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Senate Bill 165 **Senator O'Connell (As amended 4/25/01)**

Position: **Support**

Proponents: **ACSA, CTA (Sponsors), CRTA, SSDA, CA School Employees Association, CA State Employees Association**

Opponents: **None known**

SUMMARY

Senate Bill 165 permits a vested member of the California Public Employees' Retirement System (CalPERS) not employed in an education-related position who subsequently becomes employed in a position covered by the California State Teachers' Retirement System (CalSTRS) Defined Benefit (DB) Program, to elect to be excluded from CalSTRS and retain membership in CalPERS.

HISTORY

Chapter 880, Statutes of 2000 (SB 1694—Ortiz) allows CalSTRS members who become employed by the state in a bargaining unit that represents educational employees, as specified, or in an exempt or excluded position performing work similar to that covered by state bargaining units representing education-related positions, to remain in CalSTRS. It also allows state members of CalPERS employed by the California Department of Education (CDE) who are subsequently employed in service that requires membership in CalSTRS to remain in CalPERS.

Chapter 402, Statutes of 2000 (AB 649—Machado) allows state employees who were vested members of CalSTRS and became mandatory members of CalPERS Tier II plan to elect to return to CalSTRS membership and remain in the DB Program.

Chapter 838 Statutes of 1997 (SB 227—Solis) permits vested CalSTRS members who were employed by a community college district and subsequently became employed by the Board of Governors of the California Community Colleges to perform duties that required membership in a different public retirement system (e.g. CalPERS) to elect to remain in CalSTRS.

SUMMARY OF AMENDMENTS

The April 25, 2001 version requires CalPERS members who are not employed by school employers or by the state in education-related positions to have five years of service in CalPERS at the time of the employment change in order to qualify to retain their CalPERS coverage.

CURRENT PRACTICE

Generally, certificated employees of school employers have their service credited to the DB Program. In contrast, classified employees of school employers (such as clerical or janitorial staff), and state and many local employees have their service covered by CalPERS. During the course of a person's working career, he or she may change from one public sector job to another. Normally, when a person changes jobs that are covered by a different public retirement system, the retirement benefits associated with that subsequent service are provided by the other retirement system.

Currently, however, CalSTRS and CalPERS members employed by public schools, county superintendents and certain education-related state government agencies may continue membership in their existing retirement system, even if their new education-related position is covered by another retirement system. For example, a member of CalPERS who is employed by a school employer, the Board of Governors of California Community Colleges or CDE and who subsequently is employed to perform CalSTRS creditable service may elect to continue coverage under CalPERS for all subsequent CalSTRS creditable service.

The election to retain their current CalPERS membership:

- Must be made within 60 days of the date of hire into the new position.
- Must be executed on the appropriate form provided by the employer.
- Becomes effective as of the date of hire into the new position.
- Becomes irrevocable and applies to all subsequent service that would normally be covered by the CalSTRS DB Program.
- Remains in effect until all CalSTRS creditable service or service that would normally be covered by CalSTRS is terminated, and all CalPERS member contributions are refunded.

DISCUSSION

SB 165 permits CalPERS members not employed in education-related positions who have at least 5 years service credit and subsequently accept employment normally covered by the DB Program, to elect to be excluded from CalSTRS and continue to accrue credited service in CalPERS. The CalPERS service would be credited as classified service, regardless of the specific CalPERS benefit program the member participated in during his or her prior employment.

According to the bill's sponsor, the bill is intended to provide an incentive for current state or local public employees to change careers and accept a teaching position, when they otherwise might not do so. Similar to SB 1694 (Ortiz) from last year, this measure addresses a recruitment and retention problem experienced by school districts, by allowing CalPERS members who become credentialed teachers to continue to earn CalPERS creditable service while teaching or performing creditable service otherwise credited to the DB Program. The sponsors indicate that CalPERS members with significant levels of CalPERS service credit would be more willing to

enter the teaching profession if they could continue to accrue service credit in CalPERS while teaching.

SB 165 will have minimal impact on CalSTRS' operations or programs because members of CalPERS that elect to retain their membership will pay no contributions to, and receive no benefits from CalSTRS. This measure also should not place an undue administrative burden on the majority of K-14 school employers, because they already report to CalPERS for classified service and make employer contributions to CalPERS for those employees performing DB creditable service that have elected to retain their CalPERS membership. Employers would, however, have to provide an increased number of new employees an opportunity to elect whether to be covered by CalSTRS or CalPERS.

FISCAL IMPACT

Benefit Program Costs – Avoidance of increased liability to the DB Program, offset by avoided contributions from members, employees and the state.

Administrative Costs – Minor and absorbable costs associated with updating manuals, creating an employer directive and answering inquiries concerning the new law.

BOARD POSITION

Support. By allowing CalPERS members that become credentialed teachers to continue to earn CalPERS creditable service while teaching, SB 165 provides an additional incentive for current and former state employees to enter the classroom.