

To the Members of the California State Senate:

I am returning Senate Bill 1137 without my signature.

This bill provides that the retired member, who is now appointed by the Governor to the State Teachers' Retirement System (STRS) Board, instead be elected by retired members.

In 2002, the Legislature passed SB 1580 (Burton) which altered the composition of the board by providing that three members be elected by members of STRS. Additional changes at this time would not be in the best interest of promoting stable leadership of the STRS Board who administer programs and provide investment oversight for its members.

This bill diminishes the State's presence on the STRS board at time when the STRS fund is experiencing unfunded liabilities and the General Fund is required to contribute over \$1 billion to the fund annually. This bill weakens the Administrations' ability to ensure the continued viability of the STRS fund. Reducing the Administration's presence on the Board to less than half the membership would be fiscally imprudent due to the current funding arrangement for the system.

Unlike most defined benefit retirement systems, STRS has enjoyed funding from the State General Fund to offset marginal fluctuations in the need for contributions to ensure that the System is actuarially sound. Until funding for STRS is revised to eliminate reliance on State General Fund contributions, it is important that the Administration maintain a strong presence on the STRS board.

Sincerely,

Arnold Schwarzenegger