

STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Senate Bill 610

Senator O'Connell (Amended 4/15/98)

Proponents:

Service Employees International Union (Sponsor), American Association of State, County and Municipal Employees, California State Association of Counties, Sacramento County Deputy Sheriff Association, STRS

Opponents:

Department of Finance

SUMMARY

This bill makes various technical and conforming changes to the Teachers' Retirement Law.

CURRENT PRACTICE

Current statutory provisions within the Teachers' Retirement Law (TRL) provide for members of the STRS DB Plan who are also members of the Public Employees Retirement System (PERS), University of California Retirement System, (UCRS) the Legislator's Retirement System (LRS), or the San Francisco City and County Employees' Retirement System to have reciprocity between systems. Reciprocity includes the computation of final compensation, the right to redeposit accumulated retirement contributions, and the eligibility to retire.

Section 22134 permits the determination of final compensation for a STRS DB Plan member who is also a member of PERS, LRS, UCRS, or the San Francisco System to take into consideration the compensation earnable while a member of the other system if retirement from both systems is concurrent and other specified conditions are met.

Section 23201 permits a vested member of PERS, LRS, UCRS, or the San Francisco System to redeposit previously refunded accumulated retirement contributions into the STRS DB Plan without being employed to perform creditable service subject to the plan.

Section 24201 permits a STRS DB Plan member who is also a member of the PERS, LRS, UCRS, or the San Francisco City and County Employees' Retirement System to retire from STRS without meeting the five-year minimum vesting requirement if specified conditions are met. Recent amendments provide purchased out-of-state service to be included toward five-year vesting.

DISCUSSION

The purpose of concurrent retirement is to permit public sector employees to change careers within the public sector without adversely affecting their retirement benefits. SB-610 would establish reciprocity between STRS and the '37 Act counties.

Reciprocity is similar to portability in that it recognizes the validity of public sector employment not only in STRS covered positions but also within PERS and '37 Act county covered positions. Portability among public retirement systems assists public employers in the recruitment of capable experienced employees.

There are 20 counties that would be covered by the provisions of this bill; the remaining counties in the State are part of PERS and, therefore, reciprocity with those counties already exists. This bill would simply provide comparable reciprocity benefits to those county members covered under either the '37 Act counties or under PERS.

FISCAL IMPACT

Program: The bill would affect the determination of final compensation for STRS DB Plan members who are also members of the '37 Act counties system. There is a potential for increased program costs because retirement allowances paid by STRS could be based on a higher final compensation earned as a member of the other system. The volume of STRS members who would be eligible for concurrent retirement with one of the '37 Act county retirement systems is so low, however, that the overall increase in program costs would be negligible.

Administrative: Administrative costs associated with extending reciprocity rights to STRS members who are also members of the '37 Act county retirement systems are minor and absorbable.

POSITION

Support, if amended. The Board supports efforts to extend reciprocity to STRS members who are also members of a '37 Act county retirement system. Reciprocity, like portability, is consistent with the Board policy to improve the benefits and services provided to our members. We do, however have some minor technical amendments that are needed in order to ensure the correct implementation of the bill.