

**Bill Number: SB 689 (Harman) as introduced on February 18, 2011**

**SUMMARY**

SB 696 requires CalSTRS to create and file an annual report until 2016 with the Legislature, the Department of Finance, and the Legislative Analyst's Office that would include specific information about any retired member who receives a pension of \$100,000 or more annually.

**BOARD POSITION**

**Neutral, if amended.** It is the policy of the Board to be neutral on legislation that does not significantly or adversely impact the benefits or services provided through the funds administered by CalSTRS or the administration of the retirement plans.

CalSTRS has provided similar information upon request in the past. However, such data does not provide any context as to reason why the benefits exceed \$100,000.

**PURPOSE OF THE BILL**

This legislation will be an important step in improving the transparency of California's public retirement systems by disclosing excessive retirement benefits.

**ANALYSIS:**

**Existing Law:**

Requires all state and local public retirement systems to prepare an annual report in accordance with generally accepted accounting principles (GAAP).

**This bill:**

SB 689 requires all state and local public retirement systems, including CalSTRS, to file an annual report until 2016 with the Legislature, the Department of Finance, and the Legislative Analyst's Office that would include specific information about any retired member, who receives a pension of \$100,000 or more annually. Specifically, CalSTRS would be required to report

- The classification from which the member retired;
- The department or agency from which the member retired; and
- The amount of the pension that the member receives annually.

There are a number of ambiguities in the bill, but based on its past experience, CalSTRS would report the following:

- Only members whose own benefit by virtue of their own CalSTRS service would be reported. If a member earned a benefit in excess of \$100,000 only by

combining the benefit he or she earned from his or her own CalSTRS service, as well as the service of another CalSTRS members, that member's information would not be included in the report.

- The \$100,000 amount would be based only on monthly and quarterly benefit amounts paid in a fiscal year; lump sum payments of DBS would not be included in determining application of the bill, because those are not recurring payments.
- It's not clear of the meaning of "classification". It could mean the specific retirement plan the member was in, such as safety and miscellaneous. At CalSTRS, members are either in the DB Program or CB programs. CalSTRS would report from which retirement program the member was receiving a benefit (although it is extremely unlikely that any retired CB participant would receive an annuity in excess of \$100,000).
- CalSTRS would report the final employer for whom the member worked before retirement.

The actual reports are to be submitted each with a one page summary of its contents, in compliance with section 9795 of the Government Code which requires printed copies to both Legislative Counsel and Secretary of the Senate, and electronic copies to the Chief Clerk of the Assembly. Summaries of state agency reports are also required to be distributed electronically to each member of the appropriate house or houses. Agency reports are to include an Internet Web site where the report can be downloaded and a telephone number provided to obtain hard copies and posted on the agency's Web site.

If the author intends "classification" to mean the job position of the member before retirement, that would be significantly more complicated to provide. Currently, employers do not report to CalSTRS the position the member held with respect to the compensation earned, because it does not affect the determination of a retirement benefit. If CalSTRS had to include that information in the report, additional information would have to be collected from the employer and stored by CalSTRS, at significant additional expense to the employer and CalSTRS.

## **LEGISLATIVE HISTORY**

No previous statutes identified.

## **PROGRAM BACKGROUND**

Retired members of the Defined Benefit Program receive two benefits—one based on the age, service credit and final compensation, and another based on the balance in the member's Defined Benefit Supplement (DBS) Program account. The DBS benefit can be paid either in a lump, sum, monthly annuity or both. Benefits paid by CalSTRS are subject to limits imposed under IRC 415. For 2009-10, the limit is \$195,000 for members who retire between ages 62 and 65. Benefits in excess of the limit are payable from the Replacement Benefits Program. Members whose current benefits have a purchasing power below 85 percent of the original benefit receive a quarterly supplemental benefits from the Supplemental benefit Maintenance Account. In addition,

part-time employees may elect to participate in the Cash Balance Benefit Program, which is similar in structure to the DBS Program.

In 2010, about 4,800 members, representing about 2.2 percent of retired DB Program members, received an annual benefit of \$100,000 or more from their own service. An additional 400 members earned received a total of \$100,000 or more when their own benefit was combined with the benefits they received by virtue of being an option beneficiary or ex-spouse of a DB Program members.

Pursuant to Public Records Act, CalSTRS has disclosed the names, former employers and amount paid of members whose benefits exceeded \$100,000 annually.

## **OTHER STATES' INFORMATION**

Not applicable.

## **FISCAL IMPACT**

Program Cost – No program cost associated with this bill.

Administrative Costs/Savings – Depending on the definition of some terms, likely minor and absorbable administrative costs.

## **SUPPORT**

None known.

## **OPPOSITION**

None known.

## **ARGUMENTS**

### **Pro:**

- Provides additional transparency in regards to CalSTRS.

### **Con:**

- Likely misdirected reaction to benefit levels that are caused by factors outside the control of the retirement system.

## **LEGISLATIVE STAFF CONTACT**

Mike Mello  
Legislative Analyst,  
CalSTRS Legislative Affairs,  
(916) 414-1983  
mmello@calstrs.com

Mary Anne Ashley  
Assistant Director,  
CalSTRS Governmental Affairs and Program Analysis,  
(916) 414-1981

[mashley@calstrs.com](mailto:mashley@calstrs.com)

Berman Obaldia  
Director,  
CalSTRS Governmental Affairs and Program Analysis,  
(916) 414-1977  
[bobaldia@caltrs.com](mailto:bobaldia@caltrs.com)