

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 21, 2010
POSITION: Neutral

BILL NUMBER: AB 2260
AUTHOR: Assembly Public Employees, Retirement and Social Security

SPONSOR: California State Teachers' Retirement System

BILL SUMMARY: State Teachers' Retirement: Administration

This bill makes various technical and clarifying changes to the Teachers' Retirement Law to facilitate efficient administration of the California State Teachers' Retirement System (STRS).

FISCAL SUMMARY

STRS estimates that any costs resulting from this bill would be minor and absorbable.

COMMENTS

The Department of Finance takes a neutral position on this bill.

This bill would:

- Specify the four dates that the continuously appropriated General Fund transfers to STRS for the Defined Benefit Program are made to conform to the changes made in Chapter 1, Statutes of 2010. We note this is unnecessary as statute has already been changed.
Make changes to conform to federal law that requires pension beneficiaries be paid a "definitely determinable benefit". Essentially this clarifies that STRS must pursue reimbursements from beneficiaries and/or the employer if they provided erroneous information that resulted in an overpayment in order to make the system whole.
Allow STRS to transfer funds from the continuously appropriated Teachers' Retirement Program Development Fund to another fund if it expedites the expenditure of those funds for the purpose those funds were originally deposited. According to STRS, this is the most efficient way to streamline the expenditures for a new program, allowing one fund to be used for expenditures while transitioning a new program to its permanent fund source. We note this new mechanism could display the same expenditure twice.
Clarify code to identify STRS' new headquarters as a capitol asset instead of an investment in response to an external audit.
Clarify the terms of the reduced workload program for teachers.
Clarify the first day of disability is the first day following the last day of "actual performance of" service, as specified.
Clarify specific senior management positions and equivalents that are subject to specified confidentiality requirements post employment.
Add contracted benefit counselors to the definition of entities that can provide contracted retirement counseling.
Clarify the amount of service credit that can be purchased when a member is off pursuant to the Family Medical Leave Act.

(Continued)

COMMENTS (continued)

Analyst/Principal Date Program Budget Manager Date
(0932) K. Martone Diana Ducay

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

Assembly Public Employees,
Retirement and Social Security

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- Clarify Defined Benefit program (DB program) contributions after the Defined Benefit Supplement program (DBS program) sunsets on December 31, 2010. Currently six percent of teachers' contributions go to the DB program while two percent go to the DBS program. We note that after the DBS program sunsets an additional two percent or a total of eight percent will go to the DB program, which will help with the actuarial health of that program.
- Clarify that in relation to specified death benefits, compensation refers to creditable compensation.
- Clarify that claims for disability, death, or retirement need to be submitted on a specified form.
- Clarify the term contractor in reference to post-retirement earnings limits.
- Clarify that any payment made after a member dies shall be revoked.
- Include language that clarifies that any other bill enacted by January 1, 2011 that makes changes to sections of the Education Code that this bill modifies would supersede the changes in this bill.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	
1920/STRS	SO	No		----- No/Minor Fiscal Impact -----					0835
<u>Fund Code</u>	<u>Title</u>								
0835	Teachers' Retirement Fund								