

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 03/19/2012
POSITION: Oppose

BILL NUMBER: AB 1735
AUTHOR: Wieckowski, Bob

BILL SUMMARY: CalSTRS Executive Management Compensation

This bill would authorize the Teachers' Retirement Board (Board) of the California State Teachers' Retirement System (CalSTRS) to appoint and determine the compensation of a Chief Financial Officer (CFO) and Chief Operating Officer (COO).

FISCAL SUMMARY

According to CalSTRS, the maximum current compensation is \$113,712 for the CFO and \$132,552 for the current Chief of Staff position (which CalSTRS indicates would become the COO). If approved, the bill would increase the maximum compensation to 150 percent of the Governor's salary which would equate to \$261,000 for both the CFO and COO.

CalSTRS indicates that the anticipated increased compensation costs would be offset by future financial and operational risk avoidance due to the Board's ability to attract, recruit, and retain the most highly qualified employees. Currently, both the CFO and Chief of Staff positions are filled. It is unclear how increased compensation for these two positions would reduce financial and operational risk and why the current incumbents and the rest of the organization cannot achieve those goals absent the increased compensation that would be authorized through this bill.

COMMENTS

The Department of Finance oppose this bill because it would circumvent the Department of Personnel Administration's (DPA) salary setting authority.

Existing law gives DPA authority to set salaries for state employees. Existing law also authorizes the Board to appoint and set the salaries of the chief executive officer, general counsel, chief actuary, chief investment officer, and other investment officers and portfolio managers whose positions are designated as managerial. This bill would add a CFO and COO to the list of positions for which the Board can appoint and set compensation.

Additionally, this bill could increase operational costs by up to \$276,000 at a time when CalSTRS has an unfunded liability of \$64.5 billion.

Analyst/Principal (0931) K.Martone	Date	Program Budget Manager Diana Ducay	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

BILL ANALYSIS--(CONTINUED)

AUTHOR

AMENDMENT DATE

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Wieckowski, Bob

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AB 1735

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code
	LA	(Dollars in Thousands)						
	CO	PROP						
	RV	98	FC	2012-2013	FC	2013-2014	FC	2014-2015
1920/STRS	SO	No	A	276	A	276	A	-- 0835
<u>Fund Code</u>	<u>Title</u>							
0835	Teachers' Retirement Fund							