

CALSTRS

# Assembly Bill 1997

Employer Advisory Committee

August 7, 2024



# Background

- CalSTRS requirements are complex
- Complexity increases reporting issues and audit findings
- AB 1667 implementation mitigates impact on the back end

# AB 1997 Goals

- Reduce complexity of creditable compensation and creditable service requirements
- Reduce reporting issues
- Reduce the number of benefits underpaid or overpaid
- Ensure changes:
  - Are actuarially sound
  - Maintain similar benefits for members

# Part 1: Consolidate Retirement Formulas

- Eliminate “paid each pay period” requirement for 2% at 62
- Eliminate compensation being reported directly to DBS
- Allow for limited-term payments to be creditable for 2% at 62
- Maintain compensation limits for 2% at 62

## Part 2: Simplify Creditable Compensation

- Creditable Compensation categorized as either:
  - “Base pay,” which includes both “salary” and “special pay”
  - “Supplemental pay”
- Standards for “base pay” need to be:
  - Paid for being employed up to the full-time equivalent in a “position subject to membership”
  - Paid in accordance with a “publicly available pay schedule” or publicly available agreement”
  - Paid to all persons in the same class of employees
  - Regular and recurring

## Part 2: Simplify Creditable Compensation (Cont'd)

- “Supplemental pay” includes all other types of compensation not expressly prohibited
- “Supplemental pay” will not be used to calculate compensation earnable or final compensation
- “Supplemental pay” will increase total service credit up to one year of service then any excess will transfer to DBS
- All member contributions credited to DBS will stay, no more return of excess

## Part 3: Remove Inconsistent Special Pay Types

- Remove the following pay types from the definition of “remuneration in addition to salary”
  - Payments contingent on the availability of funds
  - Payments contingent on hiring, transfer, or retirement
  - Payments contingent on class size overload
- These pay types become “supplemental pay”

## Part 4: Create Position Subject to Membership

- Replace “creditable service” with a new definition of “position subject to membership”
- CalSTRS and employers are no longer required to consider the duties being performed when determining whether compensation earned by a member is creditable



## Next Steps

- AB 1997 will not go into effect until July 1, 2027
- CalSTRS is working on regulations to further clarify the provisions in AB 1997
- CalSTRS is creating a comprehensive training strategy to educate all employers on how to implement AB 1997