Many California school districts have anticipated the passage of AB 1207 (Corbett), reestablishing and making permanent the STRS Golden Handshake for Certificated Employees. Most employees of districts have eagerly awaited the final legislation and some have elected to postpone retirement to take advantage of the additional benefits this bill would provide. While the intent of the legislation was to encourage retirements while providing additional monies to the retirees, the cost to employers appears to be significant. The new Golden Handshake allows for two options:

Two Years of Credited Service
The typical monthly benefit is equal to 2.8% to 4.8% of salary. For a 60 year old with a salary of $70,000, the lifetime benefit under the Golden Handshake enhancement would increase an additional $233.33 monthly, with an average lump sum cost of 58% of salary, or approximately $30,000 to $40,000.

“Two Plus Two”: Two Years of Credited Service Plus Two Years Age Factor Advance
The “two plus two” Golden Handshake will typically increase the monthly STRS benefits by 20%. Therefore, a typical lifetime benefit for a 60 year old with a salary of $70,000 could increase up to $590 monthly. Lump sum costs for this benefit could be as high as 160% of salary, or approximately $100,000 to $110,000. The 2 + 2 will be available until December 31\textsuperscript{st} 2004.

CalSTRS plans to issue a second Circular on Assembly Bill 1207. As our clients and their employees are highly interested in the new provisions of these incentives, here are the significant issues to be addressed:

- The cost analysis required proving savings that needs to be submitted to the local County Office of Education or the state Community College Chancellor’s Office. Then eventually to CalSTRS, the State Department of Education and the State Controller’s office was reviewed. CalSTRS will not perform cost analysis. Districts will need to perform their own analysis or hire an outside firm to do the analysis.
- The methodology for the cost analysis will not be specified, and therefore, individual County Offices of Education will have to determine their own cost savings method and the timeline for auditing actual savings over time. In the case of Community Colleges, the methodology will be determined by the state Chancellor’s office.
- Eligibility for the two programs was also described. If the two years of service enhancement is offered to any certificated group it needs to offered to all certificated groups, teachers and managers. The eligibility rules for 2 + 2 may be a bit broader. For example if the 2 + 2 is offered to teachers it does not need to be offered to management employees. Under the 2 + 2, if the district wants to change its eligibility rule from other than five years of CalSTRS service and over 55 (or age 50 to 54 with 30 years of service), they would need to consult directly with CalSTRS.
- The districts would need to conduct all employee group orientation meetings and individual counseling.
- The memo reiterated that if a retiree was rehired in a certificated position that they could forfeit their two years of service or the 2 + 2. However the District would neither receive a refund nor discontinue funding if the benefit were forfeited.
• Under these plans, districts will have the option to fund the benefits using either a lump sum payment, or to spread seven payments over eight years (with the first payment due at the end of the first year).

• Forms were included to submit to CalSTRS for the installation of either the Golden Handshake or the 2 + 2.

If your district would like to have more information and an assessment of the AB 1207 retirement incentives for their own situation, Keenan & Associates will be able to perform a cost savings analysis. The data required is provided in an Excel spreadsheet which can be downloaded from the Briefings page on the web site.