

ASSEMBLY BILL

No. 820

Introduced by Committee on Public Employees, Retirement and Social Security (Correa (Chair), Firebaugh, Honda, Knox, and Pescetti)

February 24, 1999

An act to amend Sections 23200, 24411, 24412, 24415, and 24417 of, and to add Sections 24315 and 24418 to, the Education Code, relating to teachers' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 820, as introduced, Committee on Public Employees, Retirement and Social Security. Teachers' retirement.

Existing law establishes the State Teachers' Retirement System to provide retirement benefits to participating teachers.

Under existing law, if a member whose accumulated retirement contributions have been refunded, again becomes a member, the person may elect to redeposit those contributions with regular interest from the date of refund to the date of payment.

This bill would authorize the member to redeposit a portion of the refunded contribution, as specified.

Existing law provides that a member may elect an option for modified retirement allowance.

This bill would authorize the State Teachers' Retirement Board to waive those provisions if it determines that the waiver would affect fewer than 100 individuals and would not have a material effect on the fund.

Existing law generally provides for payment of certain benefits on a quarterly basis.

This bill would provide for the payment of those benefits on a monthly basis unless the member elects otherwise.

This bill would delete a provision relating to the use of revenues from school lands.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 23200 of the Education Code is
2 amended to read:

3 23200. (a) If a person, whose accumulated
4 retirement contributions have been refunded, again
5 becomes a member of the Defined Benefit Program, the
6 person may elect to redeposit those contributions with
7 regular interest from the date of refund to the date of
8 payment. If the member elects to redeposit, the member
9 shall repay all accumulated retirement contributions that
10 were previously refunded under this part.

11 (b) For time prior to July 1, 1944, regular interest shall
12 be at 2 1/2 percent compounded annually.

13 (c) If a nonmember spouse, as defined in Section
14 22651, withdraws accumulated contributions in
15 accordance with Section 22661, the member may
16 redeposit a sum equal to those contributions pursuant to
17 subdivision (a), providing he or she is not receiving an
18 allowance under Chapter 26 (commencing with Section
19 24100) or Chapter 27 (commencing with Section 24201).

20 *(d) A member may elect to redeposit a portion of all*
21 *accumulated retirement contributions that were*
22 *previously refunded, and, subject to requirements*
23 *imposed by the board, shall receive pro rata credit for that*
24 *contribution.*

25 SEC. 2. Section 24315 is added to the Education Code,
26 to read:

27 24315. Notwithstanding any other provisions of this
28 chapter, the board may waive the provisions of this
29 chapter if the board determines that the waiver would



1 affect fewer than 100 individuals and would not have a
2 material effect on the fund. For that purpose, a material
3 effect is a cost in excess of one thousandth of one percent
4 (.0001) of the State Teachers' Retirement Fund assets.

5 SEC. 3. Section 24411 of the Education Code is
6 amended to read:

7 24411. (a) (1) Annual cost-of-living adjustments for
8 retired members, disabled members, and beneficiaries in
9 excess of the 2-percent adjustment authorized by Section
10 22140 may be included as a General Fund appropriation
11 in the annual Budget Act. In the annual budget submitted
12 to the Legislature, the Governor shall include a budget
13 item equal to 5 percent of the average annualized
14 statewide increase in payroll for certificated personnel
15 over the three previous school years among school
16 districts, county offices of education, and community
17 college districts.

18 (2) The amount submitted in the annual Budget Act
19 pursuant to this section shall be considered as part of the
20 overall budget allocations to the public schools and
21 community colleges.

22 (b) The annual appropriation shall be made to the
23 system on July 1, and shall be placed in a segregated
24 account called the Retirees' Purchasing Power
25 Protection Account. The proceeds of that account are
26 continuously appropriated and shall be distributed
27 ~~annually~~ in ~~quarterly~~ *monthly* payments commencing on
28 ~~September~~ *August* 1 to retired members, disabled
29 members, and beneficiaries as follows:

30 (1) The proceeds shall be allocated among those
31 retired members, disabled members, and beneficiaries
32 whose allowances, after applying the 2-percent
33 adjustment authorized by Section 22140, have the lowest
34 purchasing power percentage, based on the amount that
35 would be paid had the original allowance been increased
36 by the increases in the index then being used by the
37 Department of Finance to measure changes in the cost of
38 living, increasing those allowances to a common
39 minimum purchasing power level. In any year in which
40 the purchasing power of the allowances of all retired



1 members, disabled members, and beneficiaries equals
2 not less than 75 percent and additional funds remain from
3 the allocation authorized by this section, those funds shall
4 be allocated by the board to general accounts to reduce
5 the unfunded actuarial liability of the fund.

6 (2) The board may deduct from the annual
7 appropriation an amount necessary for administrative
8 expenses to implement this section.

9 (c) The board shall inform each recipient of benefits
10 under subdivision (b) that the increases are not
11 cumulative, are not part of the base allowance, and shall
12 be available only as appropriated annually in the Budget
13 Act.

14 (d) The adjustments authorized by this section shall
15 not be included in the base allowance for purposes of
16 calculating the 2-percent adjustment authorized by
17 Section 22140.

18 (e) It is the ultimate intent and purpose of the
19 Legislature in amending this section by Chapters 323 and
20 780 of the Statutes of 1983, to achieve a common
21 minimum purchasing power level equal to 75 percent of
22 the purchasing power of the original allowance. It is the
23 present intent of the Legislature that until adequate
24 funds are available to fulfill the ultimate intent, those
25 persons whose allowances have been most impacted by
26 inflation shall be accorded first priority in receiving,
27 pursuant to this section, supplemental cost-of-living
28 adjustments from the Retirees' Purchasing Power
29 Protection Account.

30 (f) This section shall not be operative in any fiscal year
31 during which, as determined by the board, distributions
32 provided for by Section 24415 are being made.

33 SEC. 4. Section 24412 of the Education Code is
34 amended to read:

35 24412. (a) The annual revenues deposited to the
36 Teachers' Retirement Fund pursuant to Section 6217.5 of
37 the Public Resources Code are continuously appropriated
38 without regard to fiscal year for the purposes of this
39 section and shall be distributed ~~annually~~ in ~~quarterly~~
40 *monthly* supplemental payments commencing on



1 ~~September~~ *August* 1 of each year to retired members,
2 disabled members, and beneficiaries. The amount
3 available for distribution in any year shall be the income
4 for that year from the sale or use of school lands and lieu
5 lands, as estimated by the State Lands Commission prior
6 to the beginning of the fiscal year, adjusted by the
7 difference between the estimated and actual income for
8 the preceding fiscal year. The board shall deduct from the
9 revenues an amount necessary for administrative
10 expenses to implement this section.

11 (b) The net revenues to be distributed shall be
12 allocated among those retired members, disabled
13 members, and beneficiaries whose allowances, after
14 sequentially applying the annual improvement factor as
15 defined in Section 22140 and the annual supplemental
16 payment as defined in Section 24411, if any, are below 75
17 percent of original purchasing power. The purchasing
18 power calculation for each individual allowance shall be
19 based on the change in the All Urban California
20 Consumer Price Index between June of the calendar year
21 of retirement and June of the fiscal year preceding the
22 fiscal year of the distribution. The allocation shall provide
23 a pro rata share of the amount needed to restore the
24 allowance payable, after sequential application of the
25 current year annual improvement factor and the
26 supplemental payment under Section 24411, to 75
27 percent of original purchasing power.

28 (c) The allowance increase shall not be applicable to
29 annuities payable from the accumulated annuity deposit
30 contributions or the accumulated tax-sheltered annuity
31 contributions.

32 ~~(d) In any year that the net revenues from school lands
33 and lieu lands is greater than that needed to adjust the
34 allowances of all retired members, disabled members,
35 and beneficiaries to 75 percent of original purchasing
36 power, the net revenues in excess of that needed for
37 distribution shall be used by the board to reduce the
38 unfunded actuarial obligation of the fund.~~

39 ~~(e)~~ The board shall inform each recipient of
40 supplemental payments under this section that the



1 increases are not cumulative and are not part of the base
2 allowance.

3 SEC. 5. Section 24415 of the Education Code is
4 amended to read:

5 24415. (a) The proceeds of the Supplemental Benefit
6 Maintenance Account shall be distributed ~~annually~~ in
7 ~~quarterly~~ *monthly* supplemental payments commencing
8 on ~~September 1, 1990~~ *August 1, 2000*, to retired members,
9 disabled members, and beneficiaries. The amount
10 available for distribution in any fiscal year shall not
11 exceed the amount necessary to restore purchasing
12 power up to 75 percent of the purchasing power of the
13 initial monthly allowance after the application of all
14 allowance increases authorized by this part, including
15 those specified in Section 24412.

16 (b) The net revenues to be distributed shall be
17 allocated among those retired members, disabled
18 members, and beneficiaries whose allowances, after
19 sequentially applying the annual improvement factor as
20 defined in Sections 22140 and 22141, and the annual
21 supplemental payment as defined in Section 24412, have
22 the lowest purchasing power percentage. The purchasing
23 power calculation for each individual shall be based on
24 the change in the All Urban California Consumer Price
25 Index between June of the calendar year of retirement
26 and June of the fiscal year preceding the fiscal year of
27 distribution. In any year in which the purchasing power
28 of the allowances of all retired members, disabled
29 members, and beneficiaries equals not less than 75
30 percent and additional funds remain from the allocation
31 authorized by this section, those funds shall remain in the
32 Supplemental Benefit Maintenance Account for
33 allocation in future years.

34 (c) The allowance increase shall not be applicable to
35 annuities payable from the accumulated annuity deposit
36 contributions or the accumulated tax-sheltered annuity
37 contributions.

38 (d) The benefits provided by subdivision (b) are not
39 cumulative, not part of the base allowance, and will be
40 payable only to the extent that funds are available from



1 the Supplemental Benefit Maintenance Account. The
2 board shall inform each recipient of the contents of this
3 subdivision.

4 (e) The adjustments authorized by this section are
5 vested only up to the amount payable as a result of the
6 annual appropriation made pursuant to Section 22954 and
7 shall not be included in the base allowance for purposes
8 of calculating the annual improvement defined by
9 Sections 22140 and 22141.

10 SEC. 6. Section 24417 of the Education Code is
11 amended to read:

12 24417. (a) The proceeds of an auxiliary
13 Supplemental Benefit Maintenance Account shall be
14 distributed ~~annually~~ in ~~quarterly~~ *monthly* supplemental
15 payments, commencing when funds in the Supplemental
16 Benefit Maintenance Account are insufficient to support
17 75 percent, to retired members, disabled members, and
18 beneficiaries. The amount available for distribution in
19 any fiscal year shall not exceed the amount necessary to
20 restore purchasing power up to 75 percent of the
21 purchasing power of the initial monthly allowance after
22 the application of all allowance increases authorized by
23 this part, including those specified in Section 24412 and
24 Section 24415.

25 (b) The net revenues to be distributed shall be
26 allocated among those retired members, disabled
27 members, and beneficiaries whose allowances, after
28 sequentially applying the annual improvement factor as
29 defined in Sections 22140 and 22141, and the annual
30 supplemental payment as defined in Section 24412 and
31 Section 24415, have the lowest purchasing power
32 percentage. The purchasing power calculation for each
33 individual shall be based on the change in the All Urban
34 California Consumer Price Index between June of the
35 calendar year of benefit effective date and June of the
36 fiscal year preceding the fiscal year of distribution.

37 (c) The allowance increase shall not be applicable to
38 annuities payable from the accumulated annuity deposit
39 contributions or the accumulated tax-sheltered annuity
40 contributions.



1 (d) The benefits provided by subdivision (b) are not
2 cumulative, nor part of the base allowance, and will be
3 payable only to the extent that funds are available from
4 the Supplemental Benefit Maintenance Account and the
5 auxiliary Supplemental Benefit Maintenance Account.
6 The board shall inform each recipient of the contents of
7 this subdivision.

8 (e) The distributions authorized by this section are
9 vested only up to the amount payable as a result of the
10 annual appropriation made pursuant to Section 22954 and
11 shall not be included in the base allowance for purposes
12 of calculating the annual improvement defined by
13 Section 22140 and 22141.

14 SEC. 7. Section 24418 is added to the Education Code,
15 to read:

16 24418. The board shall allow retirees to receive the
17 allowances specified in Sections 24415 and 24417 in
18 quarterly distributions if the retiree elects to have
19 distribution on a quarterly basis. The election shall be at
20 a time determined by the board, and may be at a time of
21 the first receipt of an allowance pursuant to Sections
22 24415 and 24417.

