

AMENDED IN SENATE APRIL 5, 2001

SENATE BILL

No. 499

Introduced by Senator Soto

February 22, 2001

~~An act to amend Section 24303 of the Education Code and to amend Section 21455 of the Government Code, relating to retirement benefits. An act to amend Sections 22360 and 22803 of, and to amend and repeal Section 22123 of, the Education Code, relating to the State Teachers' Retirement System.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 499, as amended, Soto. ~~Retirement benefits: optional settlements~~ *State Teachers' Retirement System.*

The Teachers' Retirement Law provides that, prior to January 1, 2002, dependent, unmarried children of members of the Defined Benefit Program of the Teachers' Retirement Plan shall be eligible for disability and family benefits if they are under 22 years of age on the date of the member's disability or death; however, on and after January 1, 2002, dependent, unmarried children of those members are eligible for those benefits only if they are under 18 years of age or under 22 years of age and full-time students, as defined, on the date of the member's disability or death.

This bill would instead provide that, on and after January 1, 2002, dependent, unmarried children of those members shall continue to be eligible for disability and family benefits if they are under 22 years of age on the date of the member's disability or death.

Exiting law, known as the Dave Elder State Teachers' Retirement System Home Loan Program Act, establishes a member home loan

financing program and specifies that the maximum amount of any loan under that program shall not exceed \$350,000.

This bill would provide, instead, that the maximum amount of any loan under the program may not exceed 200% of the conforming loan limit set by either the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, as specified.

Under the existing Teachers' Retirement Law, members of the Defined Benefit Program of the Teachers' Retirement Plan may elect to receive service credit for time spent in certain types of service or activities that would not otherwise be creditable.

This bill would authorize those members to elect to receive service credit for time spent in a position subject to coverage by the Cash Balance Benefit Program of the Teachers' Retirement Plan, subject to specified conditions.

~~Under existing law, members of the Public Employees' Retirement System and members of the Defined Benefit Program of the State Teachers' Retirement Plan may elect from among several optional settlements that provide a modified retirement allowance to the member for life and an allowance or other payment to the member's beneficiary.~~

~~This bill would make technical, nonsubstantive changes to certain of those provisions.~~

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

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

- 1 ~~SECTION 1. — Section 24303 of the Education Code is~~
- 2 *SECTION 1. Section 22123 of the Education Code, as added*
- 3 *by Section 9 of Chapter 1165 of the Statutes of 1996, is amended*
- 4 *to read:*
- 5 22123. (a) "Dependent child" or "dependent children"
- 6 under the disability allowance and family allowance programs
- 7 means a member's unmarried offspring or stepchild who is not
- 8 older than 22 years of age and who is financially dependent upon
- 9 the member on the effective date of the member's disability
- 10 allowance or the date of the member's death.
- 11 (b) "Offspring" shall include the member's child who is born
- 12 within the 10-month period commencing on the earlier of the
- 13 member's disability allowance effective date or the date of the
- 14 member's death.



1 (c) “Offspring” shall include a child adopted by the member.

2 (d) “Dependent child” shall not include the member’s
3 offspring or stepchild who is adopted by a person other than the
4 member’s spouse.

5 (e) “Dependent child” under the family allowance program
6 shall not include:

7 (1) The member’s offspring or stepchild who was financially
8 dependent on the member on the date of the member’s death if a
9 disability allowance was payable to the member prior to his or her
10 death and the disability allowance did not include an amount
11 payable for that offspring or stepchild.

12 (2) A stepchild or adopted child acquired subsequent to the
13 death of the member.

14 (f) “Financially dependent” for purposes of this section means
15 that at least one-half of the child’s support was being provided by
16 the member on the member’s disability allowance effective date
17 or the date of the member’s death. The system may require that
18 income tax records or other data be submitted to substantiate the
19 child’s financial dependence. In the absence of substantiating
20 documentation, the system may determine that the child was not
21 dependent on the effective date of the member’s disability
22 allowance or the date of the member’s death.

23 (g) “Member” as used in this section shall have the same
24 meaning specified in Section 23800.

25 ~~(h) This section shall remain in effect only until January 1,~~
26 ~~2002, and as of that date is repealed, unless a later enacted statute,~~
27 ~~that is enacted before January 1, 2002, deletes or extends that date.~~

28 *SEC. 2. Section 22123 of the Education Code, as added by*
29 *Section 9.5 of Chapter 1165 of the Statutes of 1996, is repealed.*

30 ~~22123. (a) “Dependent child” or “dependent children”~~
31 ~~under the disability allowance and family allowance programs~~
32 ~~means a member’s unmarried offspring or stepchild who is~~
33 ~~financially dependent upon the member on the effective date of the~~
34 ~~member’s disability allowance or the date of the member’s death~~
35 ~~and who meets either of the following:~~

36 ~~(1) Is not older than 18 years of age.~~

37 ~~(2) Is between 18 and 22 years of age and who is registered as~~
38 ~~a full-time student as defined in Section 22139 on the effective~~
39 ~~date of the member’s disability allowance or the date of the~~
40 ~~member’s death. A dependent child who is a full-time student in~~



1 ~~the month he or she attains 22 years of age shall be deemed not to~~
2 ~~have attained that age until the first day of the month following the~~
3 ~~school quarter or semester that was in progress in the month the~~
4 ~~person attains 22 years of age.~~

5 ~~(b) “Offspring” shall include:~~

6 ~~(1) The member’s child who is born within the 10-month~~
7 ~~period commencing on the earlier of the member’s disability~~
8 ~~allowance effective date or the date of the member’s death.~~

9 ~~(2) A child adopted by the member.~~

10 ~~(c) “Dependent child” shall not include the member’s~~
11 ~~offspring or stepchild who is adopted by a person other than the~~
12 ~~member’s spouse.~~

13 ~~(d) “Dependent child” under the family allowance program~~
14 ~~shall not include:~~

15 ~~(1) A member’s offspring or stepchild who was financially~~
16 ~~dependent on the member on the date of the member’s death if a~~
17 ~~disability allowance was payable to the member prior to his or her~~
18 ~~death and the disability allowance did not include an amount~~
19 ~~payable for that offspring or stepchild.~~

20 ~~(2) A stepchild or adopted child acquired subsequent to the~~
21 ~~death of the member.~~

22 ~~(e) “Financially dependent” for purposes of this section means~~
23 ~~that at least one-half of the child’s support was being provided by~~
24 ~~the member on the member’s disability allowance effective date~~
25 ~~or the date of the member’s death. The system may require that~~
26 ~~income tax records or other data be submitted to substantiate the~~
27 ~~child’s financial dependence. In the absence of substantiating~~
28 ~~documentation, the system may determine that the child was not~~
29 ~~dependent on the effective date of the member’s disability~~
30 ~~allowance or the date of the member’s death.~~

31 ~~(f) “Member” as used in this section shall have the same~~
32 ~~meaning specified in Section 23800.~~

33 ~~(g) This section shall become operative on January 1, 2002.~~

34 *SEC. 3. Section 22360 of the Education Code is amended to*
35 *read:*

36 22360. (a) Notwithstanding any other provision of law, the
37 board may pursuant to Section 22203 and in conformance with its
38 fiduciary duty set forth in Section 22250, enter into correspondent
39 agreements with private lending institutions in this state to utilize
40 the retirement fund to invest in residential mortgages, including



1 assisting borrowers, through financing, to obtain homes in this
2 state.

3 (b) The program shall, among other things, provide:

4 (1) That home loans be made available to borrowers for the
5 purchase of single-family dwellings, two-family dwellings,
6 three-family dwellings, four-family dwellings, single-family
7 cooperative apartments, and single-family condominiums.

8 (2) That the recipients of the loans occupy the homes as their
9 principal residences in accordance with policies established by the
10 board.

11 (3) That the home loans shall be available only for the purchase
12 or refinance of homes in this state.

13 (4) That the amount and length of the loans shall be pursuant
14 to a schedule periodically established by the board that shall
15 provide a loan of up to 100 percent of the appraised value. In no
16 event shall the loan amount exceed ~~three hundred fifty thousand~~
17 ~~dollars (\$350,000)~~ *200 percent of the conforming loan limit set by*
18 *the Federal National Mortgage Association (FNMA) or 200*
19 *percent of the conforming loan limit set by the Federal Home Loan*
20 *Mortgage Corporation (FHLMC), whichever is greater.* The
21 portion of any loan exceeding 80 percent of value shall be insured
22 by an admitted mortgage guaranty insurer conforming to Chapter
23 2A (commencing with Section 12640.01) of Part 6 of Division 2
24 of the Insurance Code, in an amount so that the unguaranteed
25 portion of the loan does not exceed 75 percent of the market value
26 of the property together with improvements thereon.

27 (5) That there may be prepayment penalties assessed on the
28 loans in accordance with policies established by the board.

29 (6) That the criteria and terms for its loans shall be consistent
30 with the financial integrity of the program and the sound
31 investment of the retirement fund.

32 (7) Any other terms and conditions as the board shall deem
33 appropriate.

34 (c) It is the intent of the Legislature that the provisions of this
35 section be used to establish an investment program for residential
36 mortgages, including assisting borrowers in purchasing homes in
37 this state, or refinancing a mortgage loan. The Legislature intends
38 that home loans made pursuant to this section shall be secured
39 primarily by the property purchased or refinanced and shall not
40 exceed the appraised value of that property.



1 (d) Appropriate administrative costs of implementing this
2 section and Section 22360.5 shall be paid by the participating
3 borrowers. Those costs may be included in the loan amount.

4 (e) Appropriate interest rates shall be periodically reviewed
5 and adjusted to provide loans to borrowers consistent with the
6 financial integrity of the home loan program and the sound and
7 prudent investment of the retirement fund. Under no
8 circumstances, however, shall the interest rates offered to
9 borrowers be below current market rate.

10 (f) The board shall administer this section and Section 22360.5
11 under other terms and conditions it deems appropriate and in
12 keeping with the investment standard. The board may adopt
13 policies as necessary for its administration of this section and
14 Section 22360.5 and to assure compliance with applicable state
15 and federal laws.

16 (g) This section and Section 22360.5 shall be known as, and
17 may be cited as, the Dave Elder State Teachers' Retirement System
18 Home Loan Program Act.

19 *SEC. 4. Section 22803 of the Education Code is amended to*
20 *read:*

21 22803. (a) A member may elect to receive credit for any of
22 the following:

23 (1) Service performed in a teaching position in a publicly
24 supported and administered university or college in this state.

25 (2) Service performed in a certificated teaching position in a
26 child care center operated by a county superintendent of schools
27 or a school district in this state.

28 (3) Service performed in a teaching position in the California
29 School for the Deaf or the California School for the Blind, or in
30 special classes maintained by the public schools of this state for the
31 instruction of the deaf, the hard of hearing, the blind, or the
32 semisighted.

33 (4) Service performed in a certificated teaching position in a
34 federally supported and administered Indian school in this state.

35 (5) Time served, not to exceed two years, in a certificated
36 teaching position in a job corps center administered by the United
37 States government in this state if the member was employed to
38 perform creditable service subject to coverage under the Defined
39 Benefit Program within one year prior to entering the job corps and
40 returned to employment to perform creditable service subject to



1 coverage under the Defined Benefit Program within six months
2 following the date of termination of service in the job corps.

3 (6) Time spent on a sabbatical leave after July 1, 1956.

4 (7) Time spent on an approved leave to participate in any
5 program under the federal Mutual Educational and Cultural
6 Exchange Program.

7 (8) Time spent on an approved maternity or paternity leave of
8 two years or less in duration, regardless of whether or not the leave
9 was taken before or after the addition of this subdivision.

10 (9) Time spent on an approved leave, up to four months in any
11 12-month period, for family care or medical leave purposes, as
12 defined by Section 12945.2 of the Government Code, as it read on
13 the date leave was granted, excluding maternity and paternity
14 leave.

15 (10) Time spent employed by the Board of Governors of the
16 California Community Colleges in a position subject to coverage
17 by the Public Employees' Retirement System between July 1,
18 1991, and December 31, 1997, provided the member has elected
19 to return to coverage under the State Teachers' Retirement System
20 pursuant to Section 20309 of the Government Code.

21 *(11) Time spent in a position subject to coverage by the Cash*
22 *Balance Benefit Program, excluding service credited pursuant to*
23 *Section 26402, if the member has terminated all service subject to*
24 *coverage under the Cash Balance Benefit Program. Upon electing*
25 *to receive service credit pursuant to this paragraph, no benefit*
26 *shall be payable to the member from the Cash Balance Benefit*
27 *Program pursuant to Part 14 (commencing with Section 26000).*

28 (b) ~~In no event shall~~ *Except as otherwise provided in*
29 *paragraph (11) of subdivision (a), the member may not receive*
30 *credit for service or time described in paragraphs (1) to (10),*
31 *inclusive, of subdivision (a) if the member has received or is*
32 *eligible to receive credit for the same service or time in the Cash*
33 *Balance Benefit Program under Part 14 (commencing with*
34 *Section 26000) or another retirement system.*

35 ~~amended to read:~~

36 ~~24303. Termination of a service retirement allowance~~
37 ~~pursuant to Section 24208 shall not cancel an option elected under~~
38 ~~Section 24300 or 24307. The option shall remain in effect~~
39 ~~unchanged and shall be reapplied to the allowance payable upon~~
40 ~~the subsequent service retirement.~~



1 ~~SEC. 2.—Section 21455 of the Government Code is amended~~
2 ~~to read:~~
3 ~~21455.—Optional settlement 1 consists of the right to have a~~
4 ~~retirement allowance paid to the member until his or her death and~~
5 ~~if the member dies before he or she receives in annuity payments~~
6 ~~the amount of his or her accumulated contributions at retirement,~~
7 ~~to have the balance at death paid to his or her beneficiary or estate.~~
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