

**Introduced by Senator Wiggins**February 21, 2008

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An act to amend Sections 22954, 22955, 22955.5, and 23859 of the Education Code, relating to teachers' retirement.

## LEGISLATIVE COUNSEL'S DIGEST

SB 1376, as introduced, Wiggins. State Teachers' Retirement System.

(1) The Teachers' Retirement Law provides for a continuous appropriation to be made annually from the General Fund for transfer to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund to fund purchase power protection payments to retired members of the Defined Benefit Program of the State Teachers' Retirement System. The law provides that the total amount of the appropriation for each year shall be equal to 2.5% of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based for purposes of funding the supplemental payments, as specified. The law also provides for a continuous appropriation annually from the General Fund to the Controller for transfer to the Teachers' Retirement Fund. The total amount of that appropriation for each year is equal to 2.017% of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based, to be calculated annually on October 1, as specified. In addition, the law provides for a continuous appropriation annually from the General Fund to the Controller for transfer to the Teachers' Retirement Fund. The total amount of that appropriation for each year is equal to 0.524% of the total of the creditable compensation of the fiscal year ending in the immediately

preceding calendar year upon which members' contributions are based, to be calculated annually on October 1, as specified.

This bill would require these appropriations to be estimated and reported annually to the Department of Finance and the Legislature no later than October 25. The bill would require the State Teachers' Retirement System to notify the Department of Finance and the Legislature of revisions to the October estimate, if there is a difference, based on the finalized creditable compensation data no later than April 15 of the following year. The bill would also require that if, after April 15, the system informs the Department of Finance and the Legislature of revisions to the finalized creditable compensation amount, the revisions shall adjust subsequent appropriations.

(2) Existing law provides that upon termination of a survivor benefit allowance, if the total allowance paid or payable is less than the amount of the member's accumulated retirement contributions at the time of death, the remaining balance of accumulated retirement contributions shall be paid to the estate of the spouse.

This bill would provide that if there is no spouse, and if there is a designated beneficiary, as specified, then upon termination of the survivor benefit allowance payable to all eligible dependent children, if the total allowance paid or payable is less than the amount of the member's accumulated retirement contributions at the time of death, the remaining balance of the accumulated retirement contributions shall be paid to the member's designated beneficiary, as specified.

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 22954 of the Education Code is amended  
2 to read:  
3 22954. (a) Notwithstanding Section 13340 of the Government  
4 Code, commencing July 1, 2003, a continuous appropriation is  
5 hereby annually made from the General Fund to the Controller,  
6 pursuant to this section, for transfer to the Supplemental Benefit  
7 Maintenance Account in the Teachers' Retirement Fund.  
8 (b) The total amount of the appropriation for each year shall be  
9 equal to 2.5 percent of the total of the creditable compensation of  
10 the fiscal year ending in the immediately preceding calendar year  
11 upon which members' contributions are based for purposes of

1 funding the supplemental payments authorized by Section 24415,  
2 *to be estimated and reported annually to the Department of*  
3 *Finance and the Legislature no later than October 25.* However,  
4 for the 2003–04 fiscal year only, that appropriation ~~is~~ *was* reduced  
5 by five hundred million dollars (\$500,000,000).

6 (c) The board may deduct from the annual appropriation made  
7 pursuant to this section an amount necessary for the administrative  
8 expenses of Section 24415.

9 (d) It is the intent of the Legislature in enacting this section to  
10 establish the supplemental payments pursuant to Section 24415  
11 as vested benefits pursuant to a contractually enforceable promise  
12 to make annual contributions from the General Fund to the  
13 Supplemental Benefit Maintenance Account in the Teachers’  
14 Retirement Fund in order to provide a continuous annual source  
15 of revenue for the purposes of making the supplemental payments  
16 under Section 24415.

17 (e) This section shall become operative on July 1, 2003, if the  
18 revenue limit cost-of-living adjustment computed by the  
19 Superintendent of Public Instruction for the 2001–02 fiscal year  
20 is equal to or greater than 3.5 percent. Otherwise this section shall  
21 become operative on July 1, 2004.

22 SEC. 2. Section 22955 of the Education Code is amended to  
23 read:

24 22955. (a) Notwithstanding Section 13340 of the Government  
25 Code, commencing July 1, 2003, a continuous appropriation is  
26 hereby annually made from the General Fund to the Controller,  
27 pursuant to this section, for transfer to the Teachers’ Retirement  
28 Fund. The total amount of the appropriation for each year shall be  
29 equal to 2.017 percent of the total of the creditable compensation  
30 of the fiscal year ending in the immediately preceding calendar  
31 year upon which members’ contributions are based, ~~to be calculated~~  
32 ~~annually on October 1~~ *estimated and reported annually to the*  
33 *Department of Finance and the Legislature no later than October*  
34 *25, and shall be divided into four equal quarterly payments.*

35 (b) Notwithstanding Section 13340 of the Government Code,  
36 commencing October 1, 2003, a continuous appropriation, in  
37 addition to the appropriation made by subdivision (a), is hereby  
38 annually made from the General Fund to the Controller for transfer  
39 to the Teachers’ Retirement Fund. The total amount of the  
40 appropriation for each year shall be equal to 0.524 percent of the

1 total of the creditable compensation of the fiscal year ending in  
2 the immediately preceding calendar year upon which members'  
3 contributions are based, to be ~~calculated annually on October 1~~  
4 *estimated and reported annually to the Department of Finance*  
5 *and the Legislature no later than October 25*, and shall be divided  
6 into four equal quarterly payments. The percentage shall be  
7 adjusted to reflect the contribution required to fund the normal  
8 cost deficit or the unfunded obligation as determined by the board  
9 based upon a recommendation from its actuary. If a rate increase  
10 is required, the adjustment may be for no more than 0.25 percent  
11 per year and in no case may the transfer made pursuant to this  
12 subdivision exceed 1.505 percent of the total of the creditable  
13 compensation of the fiscal year ending in the immediately  
14 preceding calendar year upon which members' contributions are  
15 based. At any time when there is neither an unfunded obligation  
16 nor a normal cost deficit, the percentage shall be reduced to zero.  
17 The funds transferred pursuant to this subdivision shall first be  
18 applied to eliminating on or before June 30, 2027, the unfunded  
19 actuarial liability of the fund identified in the actuarial valuation  
20 as of June 30, 1997.

21 (c) For the purposes of this section, the term "normal cost  
22 deficit" means the difference between the normal cost rate as  
23 determined in the actuarial valuation required by Section 22311  
24 and the total of the member contribution rate required under Section  
25 22901 and the employer contribution rate required under Section  
26 22950, and shall exclude (1) the portion for unused sick leave  
27 service credit granted pursuant to Section 22717, and (2) the cost  
28 of benefit increases that occur after July 1, 1990. The contribution  
29 rates prescribed in Section 22901 and Section 22950 on July 1,  
30 1990, shall be utilized to make the calculations. The normal cost  
31 deficit shall then be multiplied by the total of the creditable  
32 compensation upon which member contributions under this part  
33 are based to determine the dollar amount of the normal cost deficit  
34 for the year.

35 (d) Pursuant to Section 22001 and case law, members are  
36 entitled to a financially sound retirement system. It is the intent of  
37 the Legislature that this section shall provide the retirement fund  
38 stable and full funding over the long term.

39 (e) This section continues in effect but in a somewhat different  
40 form, fully performs, and does not in any way unreasonably impair,

1 the contractual obligations determined by the court in California  
2 Teachers' Association v. Cory, 155 Cal.App.3d 494.

3 (f) Subdivision (b) shall not be construed to be applicable to  
4 any unfunded liability resulting from any benefit increase or change  
5 in contribution rate under this part that occurs after July 1, 1990.

6 (g) The provisions of this section shall be construed and  
7 implemented to be in conformity with the judicial intent expressed  
8 by the court in California Teachers' Association v. Cory, 155  
9 Cal.App.3d 494.

10 (h) This section shall become operative on July 1, 2003, if the  
11 revenue limit cost-of-living adjustment computed by the  
12 Superintendent of Public Instruction for the 2001–02 fiscal year  
13 is equal to or greater than 3.5 percent. Otherwise this section shall  
14 become operative on July 1, 2004.

15 SEC. 3. Section 22955.5 of the Education Code is amended to  
16 read:

17 22955.5. For purposes of Sections 22954 and 22955, "creditable  
18 compensation" shall include only creditable compensation for  
19 which member contributions are credited under the Defined Benefit  
20 Program. *The State Teachers' Retirement System shall notify the*  
21 *Department of Finance and the Legislature of revisions to the*  
22 *October estimate, if there is a difference, based on the finalized*  
23 *creditable compensation data no later than April 15 of the*  
24 *following year. If, after April 15, the State Teachers' Retirement*  
25 *System informs the Department of Finance and the Legislature of*  
26 *revisions to the finalized creditable compensation amount, the*  
27 *revisions shall adjust subsequent appropriations.*

28 SEC. 4. Section 23859 of the Education Code is amended to  
29 read:

30 23859. (a) Upon termination of a survivor benefit allowance  
31 pursuant to this chapter, if the total allowance paid or payable is  
32 less than the amount of the member's accumulated retirement  
33 contributions at the time of death, the remaining balance of  
34 accumulated retirement contributions shall be paid to the estate of  
35 the spouse.

36 (b) *If there is no spouse, and if there is a designated beneficiary*  
37 *pursuant to Section 23300, then upon termination of the survivor*  
38 *benefit allowance payable to all eligible dependent children*  
39 *pursuant to Section 23852, if the total allowance paid or payable*  
40 *is less than the amount of the member's accumulated retirement*

1 *contributions at the time of death, the remaining balance of the*  
2 *accumulated retirement contributions shall be paid to the member's*  
3 *designated beneficiary pursuant to Section 23300.*

4 ~~(b)~~

5 (c) Payments provided under this section shall include credited  
6 interest on the unpaid balance calculated from the date the last  
7 survivor benefit allowance payment was made or from the date of  
8 death of the member, if no survivor benefit allowance payments  
9 were made, to the date the balance is paid.

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