

AMENDED IN SENATE AUGUST 22, 2013

AMENDED IN SENATE JUNE 13, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1379

Introduced by Committee on Public Employees, Retirement and Social Security (Bonta (Chair), Jones-Sawyer, Mullin, Rendon, and Wieckowski)

February 26, 2013

An act to amend Sections 22007.5, 22134.5, 22135, 22164.5, 22303, 22461, 22662, 22663, 22664, 22717, 22717.5, 22801, 22829, 23001, 23104, 23202, 23300, 24002, 24005, 24102, 24105, 24201.5, 24203.5, 24203.6, 24204, 24208, 24209, 24209.3, 24211, 24212, 24213, 24214.5, 24300.2, 24301, 24306.5, 24306.7, 24307, 24309, 24311, 24312, 24312.1, 24410, 24415, 24604, 24613, 24975, 25011.5, 25018.2, 25022, 25101, 25103, 25106, 25940, and 26911 of, and to add Section 22175 to, the Education Code, relating to state teachers' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 1379, as amended, Committee on Public Employees, Retirement and Social Security. Teachers' Retirement Law.

(1) Existing law, the Teachers' Retirement Law, establishes the Defined Benefit Program of the State Teachers' Retirement Plan, which provides a defined benefit to members of the program. The State Teachers' Retirement System (STRS) based on final compensation, credited service, and age at retirement, subject to certain variations. The STRS is administered by the Teachers' Retirement Board. Existing law establishes the Supplemental Benefit Maintenance Account, among other provisions, for the purpose of restoring the purchasing power of

allowances. Existing law establishes the Defined Benefit Supplement Program, which provides supplemental retirement, disability, and other benefits, payable either in a lump-sum payment, an annuity, or both, to members of the State Teachers' Retirement Plan. Existing law establishes the Cash Balance Benefit Program, administered by the Teachers' Retirement Board, as a separate benefit program within the State Teachers' Retirement Plan in order to provide a retirement plan for persons employed to perform creditable service for less than 50% of full-time service.

Existing law provides that a retired person who is receiving a pension benefit from a public retirement system is prohibited from employment with a public employer participating in the same retirement system unless he or she meets specified requirements and subjects that employment to specified limitations. Existing law provides a definition of retired member activities for purposes of the defined benefit program and the cash balance plan described above. Existing law requires that certain school entities retaining the services of a retired member inform that member of specified earning limitations.

This bill would provide that activities of an employee performing an assignment of 24 months or less are not included in the definition of retired member activities. This bill would require that a retired member be informed of employment restrictions and specifically of certain potential forfeitures of service credit.

(2) Existing law establishes the effective date for a STRS member's service retirement and requires an employer to make a certification within 30 days of the effective date of the member's service retirement regarding accumulated sick leave and leaves of absence.

This bill would provide that the time by which the employer is to provide the information described above may be measured with reference to the date application for retirement is received by the system's headquarters office. The bill would also provide a definition for "system's headquarters office" and make conforming changes.

(3) Existing law authorizes the Teacher's Retirement Board to permit payment of a disability allowance or a disability retirement allowance upon application by authorized parties if the application is properly submitted within specified periods.

This bill would establish a period for application based on the member's performance of creditable service within the 4 months previous to application.

(4) Existing law prescribes various conditions pursuant to which a member of STRS who is eligible and applies for a disability allowance or a disability retirement allowance can receive that allowance.

This bill would make various changes regarding the effective date of an application for disability benefits with regard to when an application has been canceled or denied and the effective date of a termination of a disability retirement allowance. The bill would require an application for disability retirement to contain an election of an unmodified allowance or an optional modification, as specified. The bill would also require a member who cancels his or her retirement application to return the gross amount of all payments for the canceled retirement benefit to the system's headquarters office, as specified, and would provide that the member is liable for any adverse tax consequences that may result from these actions. The bill would establish the date to be used for the calculation of ~~postrequirement~~ *postretirement* benefits under specified circumstances.

(5) Existing law requires, if the death of a member occurs while the member is receiving an annuity under the Defined Benefit Supplement Program, the final benefit be paid in accordance with the terms of the annuity that the member elected. Existing law prescribes requirements and procedures for the purpose of making payments of STRS benefits.

This bill would specify the method of paying the annuity if certain institutions or entities are the beneficiary of the annuity. The bill would permit STRS to designate electronic delivery as the default method of delivery of specified benefit information, and permit affected parties to provide for delivery by mail, as specified.

(6) Existing law permits the Teachers' Retirement Board to establish deferred compensation plans under Section 457 of the Internal Revenue Code that employers may offer their employees. Existing law requires an employer that adopts a deferred compensation plan to enter into a contract for administration of the plan, one condition of which is that the initial contractual arrangement be for a term of 5 years.

This bill would eliminate that requirement.

(7) This bill would make various technical corrections and conforming amendments to the Teachers' Retirement Law.

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 22007.5 of the Education Code is
2 amended to read:

3 22007.5. Except as excluded by subdivision (d) of Sections
4 22661 and 23812, subdivision (e) of Section 24300.1, subdivision
5 (d) of Section 25011.1, subdivision (c) of Section 25018.1,
6 subdivision (d) of Section 26807.5, and subdivision (c) of Section
7 26906.5, a person who is the registered domestic partner of a
8 member, as established pursuant to Section 297 or 299.2 of the
9 Family Code, shall be treated in the same manner as a “spouse,”
10 as defined in Section 22171.

11 SEC. 2. Section 22134.5 of the Education Code is amended to
12 read:

13 22134.5. (a) Notwithstanding Section 22134, “final
14 compensation” means the highest average annual compensation
15 earnable by a member during any period of 12 consecutive months
16 while an active member of the Defined Benefit Program or time
17 during which he or she was not a member but for which the
18 member has received credit under the Defined Benefit Program,
19 except time that was so credited for service performed outside this
20 state prior to July 1, 1944.

21 (b) For purposes of this section, periods of service separated by
22 breaks in service may be aggregated to constitute a period of 12
23 consecutive months, if the periods of service are consecutive except
24 for the breaks.

25 (c) The determination of final compensation of a member who
26 has concurrent membership in any other retirement system pursuant
27 to Section 22115.2 shall take into consideration the compensation
28 earnable while a member of any other system, provided that both
29 of the following exist:

30 (1) Service under any other system was not performed during
31 the same pay period with service under the Defined Benefit
32 Program.

33 (2) Retirement under the Defined Benefit Program is concurrent
34 with the member’s retirement under any other system.

35 (d) If a member has received service credit for part-time service
36 performed prior to July 1, 1956, the member’s final compensation
37 shall be adjusted for that service in excess of one year by the ratio
38 that part-time service bears to full-time service.

1 (e) The board may specify a different final compensation with
2 respect to disability allowances, disability retirement allowances,
3 family allowances, and children’s portions of survivor benefit
4 allowances payable on and after January 1, 1978. The compensation
5 earnable for periods of part-time service shall be adjusted by the
6 ratio that part-time service bears to full-time service.

7 (f) This section shall apply to the following:

8 (1) A member who has 25 or more years of credited service,
9 excluding service credited pursuant to the following:

10 (A) Section 22714.

11 (B) Section 22715.

12 (C) Section 22717, except as provided in subdivision (b) of
13 Section 22121.

14 (D) Section 22826.

15 (2) A nonmember spouse, if the member had 25 or more years
16 of credited service, as calculated in paragraph (1), on the date the
17 parties separated, as established in the judgment or court order
18 pursuant to Section 22652.

19 SEC. 3. Section 22135 of the Education Code is amended to
20 read:

21 22135. (a) Notwithstanding subdivisions (a) and (b) of Section
22 22134, “final compensation” means the highest average annual
23 compensation earnable by an active member who is a classroom
24 teacher who retires, becomes disabled, or dies, after June 30, 1990,
25 during any period of 12 consecutive months during his or her
26 membership in the plan’s Defined Benefit Program.

27 (b) Section 22134, except subdivision (a) of that section, shall
28 apply to classroom teachers who retire after June 30, 1990, and
29 any statutory reference to Section 22134 or “final compensation”
30 with respect to a classroom teacher who retires, becomes disabled,
31 or dies, after June 30, 1990, shall be deemed to be a reference to
32 this section.

33 (c) As used in this section, “classroom teacher” means any of
34 the following:

35 (1) All teachers and substitute teachers in positions requiring
36 certification qualifications who spend, during the last 10 years of
37 their employment with the same employer which immediately
38 precedes their retirement, 60 percent or more of their contract time
39 each year providing direct instruction. For the purpose of
40 determining continuity of employment within the meaning of this

1 subdivision, an authorized leave of absence for sabbatical or illness
2 or other collectively bargained or employer-approved leaves shall
3 not constitute a break in service.

4 (2) Other certificated personnel who spend, during the last 10
5 years of their employment with the same employer that
6 immediately precedes their retirement, 60 percent or more of their
7 contract time each year providing direct services to pupils,
8 including, but not limited to, librarians, counselors, nurses, speech
9 therapists, resource specialists, audiologists, audiometrists,
10 hygienists, optometrists, psychologists, driver safety instructors,
11 and personnel on special assignment to perform school attendance
12 and adjustment services.

13 (d) As used in this section, “classroom teacher” does not include
14 any of the following:

15 (1) Certificated employees whose job descriptions require an
16 administrative credential.

17 (2) Certificated employees whose job descriptions include
18 responsibility for supervision of certificated staff.

19 (3) Certificated employees who serve as advisers, coordinators,
20 consultants, or developers or planners of curricula, instructional
21 materials, or programs, who spend, during the last 10 years of their
22 employment with the same employer that immediately precedes
23 their retirement, less than 60 percent of their contract time in direct
24 instruction.

25 (4) Certificated employees whose job descriptions require
26 provision of direct instruction or services, but who are functioning
27 in nonteaching assignments.

28 (5) Classified employees.

29 (e) This section shall apply only to teachers employed by an
30 employer that has, pursuant to Chapter 10.7 (commencing with
31 Section 3540) of Division 4 of Title 1 of the Government Code,
32 entered into a written agreement with an exclusive representative,
33 that makes this section applicable to all of its classroom teachers,
34 as defined in subdivision (c).

35 (f) The written agreement shall include a mechanism to pay for
36 all increases in allowances provided for by this section through
37 employer contributions or employee contributions or both, which
38 shall be collected and retained by the employer in a trust fund to
39 be used solely and exclusively to pay the system for all increases
40 in allowances provided by this section and related administrative

1 costs; and a mechanism for disposition of the employee's
2 contributions if employment is terminated before retirement, and
3 for the establishment of a trust fund board. The trust fund board
4 shall administer the trust fund and shall be composed of an equal
5 number of members representing classroom teachers chosen by
6 the bargaining agent and the employer. If the employer agrees to
7 pay the total cost of increases in allowances, the establishment of
8 a trust fund and a trust fund board shall be optional to the employer.
9 The employer, within 30 days of receiving an invoice from the
10 system, shall reimburse the retirement fund the amount determined
11 by the Teachers' Retirement Board to be the actuarial equivalent
12 of the difference between the allowance the member or beneficiary
13 receives pursuant to this section and the allowance the member or
14 beneficiary would have received if the member's final
15 compensation had been computed under Section 22134 and the
16 proportionate share of the cost to the plan's Defined Benefit
17 Program, as determined by the Teachers' Retirement Board, of
18 administering this section. The payment shall include the cost of
19 all increases in allowances provided for by this section for all years
20 of service credited to the member as of the benefit effective date.
21 Interest shall be charged at the regular interest rate for any payment
22 not received within 30 days of receipt of the invoice. Payments
23 not received within 30 days after receipt of the invoice may be
24 collected pursuant to Section 23007.

25 (g) Upon the execution of the agreement, the employer shall
26 notify all certificated employees of the agreement and any
27 certificated employee of the employer, who is a member of the
28 Public Employees' Retirement System pursuant to Section 22508,
29 that he or she may, within 60 days following the date of
30 notification, elect to terminate his or her membership in the Public
31 Employees' Retirement System and become a member of this
32 plan's Defined Benefit Program. However, only service credited
33 under the Defined Benefit Program subsequent to the date of that
34 election shall be subject to this section.

35 (h) An employer that agrees to become subject to this section,
36 shall, on a form and within the timeframes prescribed by the
37 system, certify the applicability of this section to a member
38 pursuant to the criteria set forth in this section when a retirement,
39 disability, or family allowance becomes payable.

1 (i) For a nonmember spouse, final compensation shall be
 2 determined pursuant to paragraph (5) of subdivision (c) of Section
 3 22664. The employer, within 30 days of receiving an invoice from
 4 the system, shall reimburse the retirement fund pursuant to
 5 subdivision (f). Interest shall be charged at the regular interest rate
 6 for payments not received within the prescribed timeframe.
 7 Payments not received within 30 days of invoicing may be
 8 collected pursuant to Section 23007.

9 SEC. 4. Section 22164.5 of the Education Code is amended to
 10 read:

11 22164.5. (a) “Retired member activities” means one or more
 12 activities identified in subdivision (a) or (b) of Section 22119.5 or
 13 subdivision (a) or (b) of Section 26113 within the California public
 14 school system and performed by a member retired for service under
 15 this part as one of the following:

- 16 (1) An employee of an employer.
- 17 (2) An employee of a third party, except as specified in
 18 subdivision (b).
- 19 (3) An independent contractor.

20 (b) The activities of an employee of a third party shall not be
 21 included in the definition of “retired member activities” if all of
 22 the following conditions apply:

- 23 (1) The employee performs an assignment of 24 months or less.
- 24 (2) The third-party employer does not participate in a California
 25 public pension system.
- 26 (3) The activities performed by the individual are not normally
 27 performed by employees of an employer, as defined in Section
 28 22131.

29 SEC. 5. Section 22175 is added to the Education Code, to read:

30 22175. “System’s headquarters office” means the office
 31 building established as the permanent headquarters facility for the
 32 system, pursuant to Section 22375.

33 SEC. 6. Section 22303 of the Education Code is amended to
 34 read:

35 22303. (a) Due to an increase in the demand for retirement
 36 counseling services, the system, notwithstanding any other
 37 provision of law, may contract with a county superintendent or
 38 other employer to provide retirement counseling. Retired public
 39 employees may be employed on a part-time basis for that purpose,
 40 unless and until the study required by subdivision (b) of Section

1 7 of Chapter 1532 of the Statutes of 1985 recommends against the
2 employment of retired public employees for these purposes. This
3 authorization is subject to the availability of funds appropriated
4 for that purpose in the annual Budget Act.

5 (b) The board may, by resolution, designate one or more official
6 representatives who provide retirement counseling pursuant to
7 subdivision (a), or as an employee of the system, to receive
8 documents submitted pursuant to this part, Part 13.5 (commencing
9 with Section 25900), or Part 14 (commencing with Section 26000).
10 Notwithstanding any other provision of law, any document received
11 by a designated system representative during regular counseling
12 office business hours or in the course of performing counseling
13 services pursuant to this subdivision shall be deemed to have been
14 received by the system's headquarters office on the date received
15 by the officially designated system representative.

16 SEC. 7. Section 22461 of the Education Code is amended to
17 read:

18 22461. (a) Upon retaining the services of a retired member
19 under Section 24114, 24116, 24214, 24214.5, or 24215, the school
20 district, community college district, county superintendent of
21 schools, California State University, or other employing agency
22 shall do both of the following regardless of whether the retired
23 member performs the services as an employee of the employer,
24 an employee of a third party, or an independent contractor:

25 (1) Advise the retired member of the earnings limitation or
26 employment restriction set forth in Sections 22714, 24114, 24116,
27 24214, 24214.5, and 24215.

28 (2) Maintain accurate records of the retired member's earnings
29 and report those earnings monthly to the system and the retired
30 member regardless of the method of payment or the fund from
31 which the payments were made.

32 (b) This section shall not be construed to make any school
33 district, community college district, county superintendent of
34 schools, the California State University, or other employing agency
35 liable for any amount paid to the retired member in excess of the
36 earnings limitation under any circumstance, including the failure
37 to inform the retired member that continuation of service would
38 exceed the limitations.

39 SEC. 8. Section 22662 of the Education Code is amended to
40 read:

1 22662. The nonmember spouse who is awarded a separate
2 account under the Defined Benefit Program may redeposit
3 accumulated retirement contributions previously refunded to the
4 member in accordance with the determination of the court pursuant
5 to Section 22652.

6 (a) The nonmember spouse may redeposit under the Defined
7 Benefit Program only those accumulated retirement contributions
8 that were previously refunded to the member and in which the
9 court has determined the nonmember spouse has a community
10 property interest.

11 (b) The nonmember spouse shall inform the system in writing
12 of his or her intent to redeposit within 180 days after the judgment
13 or court order that specifies the redeposit rights of the nonmember
14 spouse is entered. The nonmember spouses' election to redeposit
15 shall be made on a form provided by the system within 30 days
16 after the system mails an election form and the billing.

17 (c) If the nonmember spouse elects to redeposit under the
18 Defined Benefit Program, he or she shall repay all or a portion of
19 the member's refunded accumulated retirement contributions that
20 were awarded to the nonmember spouse and shall pay regular
21 interest from the date of the refund to the date payment of the
22 redeposit is completed.

23 (d) All payments shall be received by the system before the
24 effective date of the nonmember spouse's retirement under this
25 part. If any payment due because of the election is not received at
26 the system's headquarters office within 120 days of its due date,
27 the election shall be canceled and any payments made under the
28 election shall be returned to the nonmember spouse.

29 (e) The right of the nonmember spouse to redeposit shall be
30 subject to Section 23203.

31 (f) The member shall not have a right to redeposit the share of
32 the nonmember spouse in the previously refunded accumulated
33 retirement contributions under this part whether or not the
34 nonmember spouse elects to redeposit. However, any accumulated
35 retirement contributions previously refunded under this part and
36 not explicitly awarded to the nonmember spouse under this part
37 by the judgment or court order shall be deemed the exclusive
38 property of the member.

39 SEC. 9. Section 22663 of the Education Code is amended to
40 read:

1 22663. The nonmember spouse who is awarded a separate
2 account under this part has the right to purchase additional service
3 credit in accordance with the determination of the court pursuant
4 to Section 22652.

5 (a) The nonmember spouse may purchase only the service credit
6 that the court, pursuant to Section 22652, has determined to be the
7 community property interest of the nonmember spouse.

8 (b) The nonmember spouse shall inform the system in writing
9 of his or her intent to purchase additional service credit within 180
10 days after the date the judgment or court order addressing the right
11 of the nonmember spouse to purchase additional service credit is
12 entered. The nonmember spouse shall elect to purchase additional
13 service credit on a form provided by the system within 30 days
14 after the system mails an election form and billing.

15 (c) If the nonmember spouse elects to purchase additional
16 service credit, he or she shall pay, prior to retirement under this
17 part, all contributions with respect to the additional service at the
18 contribution rate for additional service credit in effect at the time
19 of election and regular interest from July 1 of the year following
20 the year upon which contributions are based.

21 (1) (A) The nonmember spouse shall purchase additional service
22 credit by paying the required contributions and interest in one lump
23 sum, or in not more than 120 monthly installments, provided that
24 no installment, except the final installment, is less than twenty-five
25 dollars (\$25). Regular interest shall be charged on the monthly,
26 unpaid balance if the nonmember spouse pays in installments.

27 (B) If any payment due, because of the election, is not received
28 at the system's headquarters office within 120 days of its due date,
29 the election shall be canceled and any payments made under the
30 election shall be returned to the nonmember spouse.

31 (2) The contributions shall be based on the member's
32 compensation earnable in the most recent school year during which
33 the member was employed, preceding the date of separation
34 established by the court pursuant to Section 22652.

35 (3) All payments of contributions and interest shall be received
36 by the system before the effective date of the retirement of the
37 nonmember spouse.

38 (d) The nonmember spouse does not have a right to purchase
39 additional service credit under this part after the effective date of

1 a refund of the accumulated retirement contributions in the separate
2 account of the nonmember spouse.

3 (e) The member does not have a right to purchase the community
4 property interest of the nonmember spouse of additional service
5 credit under this part whether or not the nonmember spouse elects
6 to purchase the additional service credit. However, any additional
7 service credit eligible for purchase that is not explicitly awarded
8 to the nonmember spouse by the judgment or court order shall be
9 deemed the exclusive property of the member.

10 SEC. 10. Section 22664 of the Education Code is amended to
11 read:

12 22664. The nonmember spouse who is awarded a separate
13 account shall have the right to a service retirement allowance and,
14 if applicable, a retirement benefit under this part.

15 (a) The nonmember spouse shall be eligible to retire for service
16 under this part if the following conditions are satisfied:

17 (1) The member had at least five years of credited service during
18 the period of marriage, at least one year of which had been
19 performed subsequent to the most recent refund to the member of
20 accumulated retirement contributions. The credited service may
21 include service credited to the account of the member as of the
22 date of the dissolution or legal separation, previously refunded
23 service, out-of-state service, and permissive service credit that the
24 member is eligible to purchase at the time of the dissolution or
25 legal separation.

26 (2) The nonmember spouse has at least two and one-half years
27 of credited service in his or her separate account.

28 (3) The nonmember spouse has attained 55 years of age or more.

29 (b) A service retirement allowance of a nonmember spouse
30 under this part shall become effective upon a date designated by
31 the nonmember spouse, provided:

32 (1) The requirements of subdivision (a) are satisfied.

33 (2) The nonmember spouse has filed an application for service
34 retirement on a properly executed form provided by the system,
35 that is executed no earlier than six months before the effective date
36 of the retirement allowance.

37 (3) The effective date is no earlier than the first day of the month
38 that the application is received at the system's headquarters office
39 and the effective date is after the date the judgment or court order
40 pursuant to Section 22652 was entered.

1 (c) (1) Upon service retirement at normal retirement age under
 2 this part, the nonmember spouse shall receive a retirement
 3 allowance that shall consist of an annual allowance payable in
 4 monthly installments equal to 2 percent of final compensation for
 5 each year of credited service.

6 (2) If the nonmember spouse’s retirement is effective at less
 7 than normal retirement age and between early retirement age under
 8 this part and normal retirement age, the retirement allowance shall
 9 be reduced by one-half of 1 percent for each full month, or fraction
 10 of a month, that will elapse until the nonmember spouse would
 11 have reached normal retirement age.

12 (3) If the nonmember spouse’s service retirement is effective
 13 at an age greater than normal retirement age and is effective on or
 14 after January 1, 1999, the percentage of final compensation for
 15 each year of credited service shall be determined pursuant to the
 16 following table:

17

18 Age at Retirement	Percentage
19 60¼	2.033
20 60½	2.067
21 60¾	2.10
22 61	2.133
23 61¼	2.167
24 61½	2.20
25 61¾	2.233
26 62	2.267
27 62¼	2.30
28 62½	2.333
29 62¾	2.367
30 63 and over	2.40

31

32 (4) In computing the retirement allowance of the nonmember
 33 spouse, the age of the nonmember spouse on the last day of the
 34 month that the retirement allowance begins to accrue shall be used.

35 (5) Final compensation, for purposes of calculating the service
 36 retirement allowance of the nonmember spouse under this
 37 subdivision, shall be calculated according to the definition of final
 38 compensation in Section 22134, 22134.5, 22135, or 22136,
 39 whichever is applicable, and shall be based on the member’s
 40 compensation earnable up to the date the parties separated, as

1 established in the judgment or court order pursuant to Section
2 22652. The nonmember spouse shall not be entitled to use any
3 other calculation of final compensation.

4 (d) Upon service retirement under this part, the nonmember
5 spouse shall receive a retirement benefit based on an amount equal
6 to the balance of credits in the nonmember spouse's Defined
7 Benefit Supplement account on the date the retirement benefit
8 becomes payable.

9 (1) A retirement benefit shall be a lump-sum payment, or an
10 annuity payable in monthly installments, or a combination of both
11 a lump-sum payment and an annuity, as elected by the nonmember
12 spouse on the application for a retirement benefit. A retirement
13 benefit paid as an annuity under this chapter shall be subject to
14 Sections 22660, 25011, and 25011.1.

15 (2) Upon distribution of the entire retirement benefit in a
16 lump-sum payment, no other benefit shall be payable to the
17 nonmember spouse or the nonmember spouse's beneficiary under
18 the Defined Benefit Supplement Program.

19 (e) If the member is or was receiving a disability allowance
20 under this part with an effective date before or on the date the
21 parties separated as established in the judgment or court order
22 pursuant to Section 22652, or at any time applies for and receives
23 a disability allowance with an effective date that is before or
24 coincides with the date the parties separated as established in the
25 judgment or court order pursuant to Section 22652, the nonmember
26 spouse shall not be eligible to retire until after the disability
27 allowance of the member terminates. If the member who is or was
28 receiving a disability allowance returns to employment to perform
29 creditable service subject to coverage under the Defined Benefit
30 Program or has his or her allowance terminated under Section
31 24015, the nonmember spouse may not be paid a retirement
32 allowance until at least six months after termination of the disability
33 allowance and the return of the member to employment to perform
34 creditable service subject to coverage under the Defined Benefit
35 Program, or the termination of the disability allowance and the
36 employment or self-employment of the member in any capacity,
37 notwithstanding Section 22132. If at the end of the six-month
38 period, the member has not had a recurrence of the original
39 disability or has not had his or her earnings fall below the amounts

1 described in Section 24015, the nonmember spouse may be paid
2 a retirement allowance if all other eligibility requirements are met.

3 (1) The retirement allowance of the nonmember spouse under
4 this subdivision shall be calculated as follows: the disability
5 allowance the member was receiving, exclusive of the portion for
6 dependent children, shall be divided between the share of the
7 member and the share of the nonmember spouse. The share of the
8 nonmember spouse shall be the amount obtained by multiplying
9 the disability allowance, exclusive of the portion for dependent
10 children, by the years of service credited to the separate account
11 of the nonmember spouse, including service projected to the date
12 of separation, and dividing by the projected service of the member.
13 The nonmember spouse's retirement allowance shall be the lesser
14 of the share of the nonmember spouse under this subdivision or
15 the retirement allowance under subdivision (c).

16 (2) The share of the member shall be the total disability
17 allowance reduced by the share of the nonmember spouse. The
18 share of the member shall be considered the disability allowance
19 of the member for purposes of Section 24213.

20 (f) The nonmember spouse who receives a retirement allowance
21 is not a retired member under this part. However, the allowance
22 of the nonmember spouse shall be increased by application of the
23 improvement factor and shall be eligible for the application of
24 supplemental increases and other benefit maintenance provisions
25 under this part, including, but not limited to, Sections 24412 and
26 24415 based on the same criteria used for the application of these
27 benefit maintenance increases to the service retirement allowances
28 of members.

29 SEC. 11. Section 22717 of the Education Code is amended to
30 read:

31 22717. (a) A member shall be granted credit at service
32 retirement for each day of accumulated and unused sick leave days
33 for which full salary is allowed to which the member was entitled
34 on the member's final day of employment with the employer or
35 employers subject to coverage by the Defined Benefit Program
36 during the last school year in which he or she performed creditable
37 service. The system shall accept certification from each employer
38 with which the member has accumulated sick leave days for that
39 period, provided this leave has not been transferred to another
40 employer.

1 (b) The amount of service credit to be granted shall be
 2 determined by dividing the number of days of accumulated and
 3 unused sick leave days by the number of days of service the
 4 employer requires the member’s class of employees to perform in
 5 a school year during the member’s final year of creditable service
 6 subject to coverage by the Defined Benefit Program, which shall
 7 not be less than the minimum standard specified in Section
 8 22138.5. The number of days shall not include school and legal
 9 holidays. In no event shall the divisor be less than 175. For
 10 members employed less than full time, the standards identified in
 11 Section 22138.5 shall be considered as the minimum full-time
 12 equivalent. For those standards identified in Section 22138.5 that
 13 are applicable to teachers or instructors and that are expressed only
 14 in terms of hours or instructional hours, the number of hours or
 15 instructional hours shall be divided by six to determine the number
 16 of days.

17 (c) When the member has made application for service
 18 retirement under this part, the employer shall certify to the board,
 19 within 30 days following the effective date of the member’s service
 20 retirement or the date the application for retirement is received by
 21 the system’s headquarters office, whichever is later, the number
 22 of days of accumulated and unused sick leave days that the member
 23 was entitled to on the final day of employment. The board may
 24 assess a penalty on delinquent reports.

25 (d) This section shall be applicable to any person who retires
 26 on or after January 1, 1999.

27 SEC. 12. Section 22717.5 of the Education Code is amended
 28 to read:

29 22717.5. (a) A member shall be credited at service retirement
 30 for each day of accumulated and unused leave of absence for
 31 education for which full salary is allowed on the member’s final
 32 day of employment with the state.

33 (b) The amount of service credit to be granted shall be 0.004
 34 years of service for each unused day of educational leave credit.

35 (c) When the member has made application for service
 36 retirement under this part, the employer shall certify to the board,
 37 within 30 days following the effective date of the member’s service
 38 retirement or the date the application for retirement is received by
 39 the system’s headquarters office, whichever is later, the number
 40 of days of accumulated and unused leave of absence for education

1 that the member was entitled to on the final day of employment.
2 The board may assess a penalty on delinquent reports.

3 (d) This section shall apply to eligible state employees in state
4 bargaining units that have agreed to this section in a memorandum
5 of understanding, or as authorized by the Director of Human
6 Resources for classifications of state employees that are excluded
7 from the definition of “state employee” by paragraph (c) of Section
8 3513 of the Government Code.

9 (e) The provisions of this section shall be effective for eligible
10 members who retire directly from state employment on or after
11 January 1, 2000.

12 SEC. 13. Section 22801 of the Education Code is amended to
13 read:

14 22801. (a) A member who requests to purchase additional
15 service credit as provided in this chapter and Chapter 14.2
16 (commencing with Section 22820) shall pay, prior to retirement,
17 all contributions with respect to that service at the contribution
18 rate for additional service credit, adopted by the board as a plan
19 amendment, in effect on the date of the request to purchase
20 additional service credit. If the system is unable to inform the
21 member or beneficiary of the amount required to purchase
22 additional service credit prior to the effective date of the applicable
23 allowance, the member or beneficiary may make the required
24 payment within 30 working days after the date of mailing of the
25 statement of contributions and interest required or the effective
26 date of the appropriate allowance, whichever is later. The payment
27 shall be paid in full before a member or beneficiary receives any
28 adjustment in the appropriate allowance due because of that
29 payment. Contributions shall be made in a lump sum, or in not
30 more than 120 monthly installments, not to exceed 10 years. No
31 installment, except the final installment, shall be less than
32 twenty-five dollars (\$25).

33 (b) If the member is employed to perform creditable service
34 subject to coverage by the Defined Benefit Program on the date
35 of the request to purchase additional service credit, the
36 contributions shall be based upon the compensation earnable in
37 the current school year or either of the two immediately preceding
38 school years, whichever is highest.

39 (c) If the member is not employed to perform creditable service
40 subject to coverage by the Defined Benefit Program on the date

1 of the request to purchase additional service credit, the
2 contributions shall be based upon the compensation earnable in
3 the last school year of credited service or either of the two
4 immediately preceding school years, whichever is highest, and
5 additional regular interest shall be added to the contributions from
6 July 1 of the subsequent year in which the member last performed
7 creditable service subject to coverage by the Defined Benefit
8 Program to 20 days after the date of the request.

9 (d) The employer may pay the amount required as employer
10 contributions for additional service credited under paragraphs (7),
11 (8), (9), and (10) of subdivision (a) of Section 22803.

12 (e) The Public Employees' Retirement System shall transfer
13 the actuarial present value of the assets of a person who makes an
14 election pursuant to paragraph (11) of subdivision (a) of Section
15 22803.

16 (f) Regular interest shall be charged on the monthly unpaid
17 balance if the member pays in installments. Regular interest may
18 not be charged or be payable for the period of a delay caused by
19 the system's inability or failure to determine and inform the
20 member or beneficiary of the amount of contributions and interest
21 that is payable. The period of delay shall commence on the 20th
22 day following the day on which the member or beneficiary who
23 wishes to make payment evidences in writing to the system that
24 he or she is ready, willing, and able to make payment to the system.
25 The period of delay shall cease on the first day of the month
26 following the mailing of notification of contributions and interest
27 payable.

28 (g) If the payment described in subdivision (a) is not received
29 at the system's headquarters office within 120 days of the due date,
30 the election pursuant to this section shall be canceled. The member
31 shall receive credit for additional service based on the payments
32 that were made or the member may request a return of his or her
33 payments.

34 (h) If the election to purchase additional service credit is
35 canceled as described in subdivision (g), the member may, prior
36 to the effective date of his or her retirement, elect to purchase
37 additional service credit pursuant to this section.

38 SEC. 14. Section 22829 of the Education Code is amended to
39 read:

1 22829. (a) This section applies only to a member who elects
2 to receive out-of-state service credit pursuant to Section 22827.

3 (b) The member shall pay all contributions with respect to that
4 service at the contribution rate for additional service credit adopted
5 by the board as a plan amendment in effect at the time of election.

6 (c) Contributions shall be based upon the member's age at the
7 date of the election and upon compensation earnable in the last
8 school year of credited service or either of the two immediately
9 preceding school years, whichever is highest.

10 (d) Any payment that a member may make to the system to
11 obtain credit for out-of-state service shall be paid in full before a
12 member or beneficiary may receive any adjustment in the
13 appropriate allowance due date because of that payment.

14 (e) The system shall make any appropriate adjustments to the
15 member's benefit allowance to reflect the purchase of additional
16 service retroactive to the effective date of retirement.

17 (f) Contributions for out-of-state service credit shall be made
18 in a lump sum.

19 (g) If the payment election described in subdivision (b) is not
20 received at the system's headquarters office within 30 days of
21 receiving a bill for this purchase from the system, the election shall
22 be canceled.

23 (h) If the election to purchase out-of-state service is canceled
24 as described in subdivision (g), the member may, prior to June 30,
25 2009, make a new election to purchase out-of-state service pursuant
26 to this section.

27 SEC. 15. Section 23001 of the Education Code is amended to
28 read:

29 23001. Each county superintendent, district superintendent,
30 chancellor of a community college district, or other employing
31 agency that reports directly to the system shall draw requisitions
32 for contributions required by Sections 22901 and 22950 in favor
33 of the State Teachers' Retirement System, and the requisitions,
34 when allowed and signed by the county auditor, shall constitute a
35 warrant against the county treasury. The county superintendent,
36 district superintendent, chancellor of a community college district,
37 or other employing agency thereupon shall forward the warrants
38 to the board in the system's headquarters office. The amounts
39 received shall be deposited immediately in the State Treasury to
40 the Teachers' Retirement Fund.

1 SEC. 16. Section 23104 of the Education Code is amended to
2 read:

3 23104. (a) Deposit in the United States mail of an initial
4 warrant drawn as directed by the member as a refund of
5 contributions upon termination of employment, and addressed to
6 the address directed by the member, constitutes a return of the
7 member's accumulated retirement contributions under this part.

8 (b) If the member has elected on a form provided by the system
9 to transfer all or a specified portion of the accumulated retirement
10 contributions that are eligible for direct trustee-to-trustee transfer
11 to the trustee of a qualified plan under Section 402 of the Internal
12 Revenue Code of 1986 (26 U.S.C. Sec. 402), deposit in the United
13 States mail of a notice that the requested transfer has been made
14 constitutes a return of the member's accumulated retirement
15 contributions under this part.

16 (c) For refunds not involving direct trustee-to-trustee transfers,
17 if the member returns the total gross distribution amount to the
18 system's headquarters office within 30 days from the mailing date,
19 the refund shall be canceled and the person shall be restored as a
20 member of the Defined Benefit Program with all the rights and
21 privileges under this part restored.

22 (d) For refunds involving direct trustee-to-trustee transfers, if
23 the member returns the warrant drawn to the trustee of the qualified
24 plan or the trustee returns the amount of the qualified refund and,
25 if applicable, any additional amounts necessary to equal, but in no
26 event to exceed, the total gross distribution amount to the system's
27 headquarters office, within 30 days from the mailing date, the
28 refund shall be canceled and the person shall be restored as a
29 member of the Defined Benefit Program with all the rights and
30 privileges under this part restored.

31 SEC. 17. Section 23202 of the Education Code is amended to
32 read:

33 23202. (a) An election pursuant to Section 23200 to redeposit
34 accumulated retirement contributions may be made by a member
35 anytime prior to the effective date of the member's retirement
36 under this part.

37 (b) An election to redeposit accumulated retirement
38 contributions returned to the member shall be considered as an
39 election to repay accumulated retirement contributions previously
40 returned, up to but not exceeding the amount required to restore

1 the total service credit returned, under the provisions of this
2 chapter.

3 (c) If any payment due because of this election is not received
4 at the system's headquarters office within 120 days of its due date,
5 the election shall be canceled. Upon the cancellation of election,
6 the member shall receive credit for the payments made under the
7 election or, at the request of the member, those payments shall be
8 returned.

9 (d) If the election is canceled, the member may at any time prior
10 to the effective date of retirement under this part, again elect to
11 redeposit accumulated retirement contributions previously
12 withdrawn or returned, in accordance with Section 23200 and all
13 the laws, rules, and regulations pertaining thereto.

14 SEC. 18. Section 23300 of the Education Code is amended to
15 read:

16 23300. (a) A member of the Defined Benefit Program may
17 designate a beneficiary to receive benefits payable under this part
18 upon the member's death. A beneficiary designation may not be
19 made in derogation of a community property interest of a
20 nonmember spouse, as defined by Section 25000.9, with respect
21 to service or contributions credited under this part, unless the
22 nonmember spouse has previously obtained an alternative order
23 pursuant to Section 2610 of the Family Code.

24 (b) A member's beneficiary designation for benefits payable
25 under the Defined Benefit Program, including a designation made
26 pursuant to Section 24300 or 24300.1, shall also apply to benefits
27 payable under the Defined Benefit Supplement Program. A
28 beneficiary designation shall be in writing on a form prescribed
29 by the system and executed by the member.

30 (c) A beneficiary designation shall not be valid unless it is
31 received in the system's headquarters office prior to the member's
32 death.

33 (d) A member may change or revoke a beneficiary designation
34 at any time by making a new designation pursuant to this section.

35 (e) This section is not applicable to the designation of an option
36 beneficiary or an annuity beneficiary under this part.

37 (f) An option beneficiary may designate a death beneficiary
38 who would, upon the death of the option beneficiary, be entitled
39 to receive the option beneficiary's accrued monthly allowance.

1 SEC. 19. Section 24002 of the Education Code is amended to
2 read:

3 24002. (a) The board may authorize payment of a disability
4 allowance to any member who is qualified upon application under
5 this part by the member, the member’s guardian or conservator,
6 or the member’s employer, if the application is submitted on a
7 properly executed form prescribed by the system during any one
8 of the following periods:

9 (1) While the member is employed and has performed creditable
10 service within the four months previous to application, or while
11 the member is on a compensated leave of absence.

12 (2) While the member is physically or mentally incapacitated
13 for performance of service and the incapacity has been continuous
14 from the last day of actual performance of service for which
15 compensation is payable to the member.

16 (3) While the member is on a leave of absence without
17 compensation, granted for reason other than mental or physical
18 incapacity for performance of service, and within four months
19 after the last day of actual performance of service for which
20 compensation is payable to the member, or within 12 months of
21 that date if the member is on an employer-approved leave to study
22 at an approved college or university.

23 (4) Within four months after the termination of the member’s
24 employment subject to coverage under the Defined Benefit
25 Program, if the application was not made under paragraph (2) and
26 was not made more than four months after the last day of actual
27 performance of service for which compensation is payable to the
28 member.

29 (b) A member is not qualified to receive a disability allowance
30 if the member is applying because of a physical or mental condition
31 that existed at the time the most recent membership in the Defined
32 Benefit Program commenced and which remains substantially
33 unchanged at the time of application.

34 SEC. 20. Section 24005 of the Education Code is amended to
35 read:

36 24005. (a) A disability allowance under this part shall become
37 effective upon any date designated by the member, provided all
38 of the following conditions are met:

39 (1) An application for disability allowance is filed on a properly
40 executed form prescribed by the system.

1 (2) The effective date is later than the last day of creditable
2 service for which compensation is payable to the member.

3 (3) The effective date is no earlier than either the first day of
4 the month in which the application is received by the system's
5 headquarters office or the date upon and continuously after which
6 the member is determined to the satisfaction of the board to have
7 been mentally incompetent.

8 (b) If the member is employed to perform creditable service
9 subject to coverage under the Defined Benefit Program at the time
10 the disability allowance is approved under this part, the member
11 shall notify the system in writing, within 90 days, of the last day
12 on which the member will perform service. If the member does
13 not respond within 90 days, or if the last day on which service will
14 be performed is more than 90 days after the date the system notifies
15 the member of approval of the disability allowance, the member's
16 application for a disability allowance shall be rejected and a
17 disability allowance shall not be payable to the member.

18 SEC. 21. Section 24102 of the Education Code is amended to
19 read:

20 24102. (a) The board may authorize payment of a disability
21 retirement allowance under this part to any member who is
22 qualified upon application by the member, the member's guardian
23 or conservator, or the member's employer, if the application is
24 submitted on a properly executed form prescribed by the system
25 during any one of the following periods:

26 (1) While the member is employed and has performed creditable
27 service within the four months previous to application, or while
28 the member is on a compensated leave of absence.

29 (2) While the member is physically or mentally incapacitated
30 for performance of service and the incapacity has been continuous
31 from the last day of actual performance of service for which
32 compensation is payable to the member.

33 (3) While the member is on a leave of absence without
34 compensation, granted for reason other than mental or physical
35 incapacity for performance of service, and within four months
36 after the last day of actual performance of service for which
37 compensation is payable to the member, or within 12 months of
38 that date if the member was on an employer-approved leave to
39 study at an approved college or university.

1 (4) Within four months after the termination of the member's
2 employment subject to coverage under the Defined Benefit
3 Program, if the application was not made under paragraph (2) and
4 was not made more than four months after the last day of actual
5 performance of service for which compensation is payable to the
6 member.

7 (b) The member is not qualified to receive a disability retirement
8 allowance if the member is applying because of a physical or
9 mental condition that existed at the time the most recent
10 membership in the Defined Benefit Program commenced and
11 which remains substantially unchanged at the time of application.

12 SEC. 22. Section 24105 of the Education Code is amended to
13 read:

14 24105. (a) A disability retirement allowance under this part
15 shall become effective upon any date designated by the member,
16 provided that all of the following conditions are met:

17 (1) An application for disability retirement is filed on a properly
18 executed form prescribed by the system.

19 (2) The effective date is later than the last day of creditable
20 service for which compensation is payable to the member.

21 (3) The effective date is no earlier than either the first day of
22 the month in which the application is received at the system's
23 headquarters office or the date upon and continuously after which
24 the member is determined to the satisfaction of the board to have
25 been mentally incompetent.

26 (4) The application for disability retirement contains an election
27 of either an unmodified allowance or an allowance modified under
28 an option as provided in Section 24301.

29 (b) If the member is employed to perform creditable service
30 subject to coverage under the Defined Benefit Program at the time
31 the disability retirement is approved, the member shall notify the
32 system in writing, within 90 days, of the last day on which the
33 member will perform service. If the member does not respond
34 within 90 days, or if the last day on which service will be
35 performed is more than 90 days after the date the system notifies
36 the member of the approval of disability retirement, the member's
37 application for disability retirement shall be rejected and a
38 disability retirement allowance shall not be payable to the member.

39 SEC. 23. Section 24201.5 of the Education Code is amended
40 to read:

1 24201.5. (a) A member who is eligible and applies for a
2 disability allowance or retirement pursuant to Section 24001 or
3 24101 may apply to receive a service retirement allowance pending
4 the determination of his or her application for disability, subject
5 to all of the following:

6 (1) The member is eligible to retire for service under Section
7 24201 or 24203.

8 (2) The member submits the application on a form provided by
9 the system, subject to all of the following:

10 (A) The application is executed no earlier than the date the
11 application for disability benefits is executed and no earlier than
12 six months before the effective date of the retirement allowance.

13 (B) The effective date is no earlier than the first day of the month
14 in which the application for disability benefits is received at the
15 system's headquarters office, unless the application for disability
16 benefits is denied or canceled and the member has indicated an
17 earlier service retirement date on the application to use if denied
18 or canceled. If the application for disability benefits is denied or
19 canceled, the service retirement date of a member retiring on or
20 after January 1, 2014, shall be no earlier than January 1, 2014.

21 (C) The effective date is later than the last day of creditable
22 service for which compensation is payable to the member.

23 (D) The effective date is no earlier than one year following the
24 date on which a retirement allowance was terminated pursuant to
25 Section 24208, unless the application for disability benefits is
26 denied or canceled and the member has indicated an earlier service
27 retirement date on the application to use if denied or canceled. If
28 the application for disability benefits is denied or canceled, the
29 service retirement date is no earlier than one day after the date on
30 which a retirement allowance was terminated pursuant to Section
31 24208, provided that the retirement allowance is terminated on or
32 after January 1, 2014.

33 (E) The effective date is no earlier than one year following the
34 date on which a retirement allowance was terminated pursuant to
35 subdivision (a) of Section 24117.

36 (3) The effective date of the service retirement allowance can
37 be no earlier than the date upon and continuously after which the
38 member is determined to the satisfaction of the board to have been
39 mentally incompetent.

1 (4) A member who applies for service retirement under this
2 section is not eligible to receive a lump-sum payment and an
3 actuarially reduced monthly allowance pursuant to Section 24221.

4 (5) A member who applies for service retirement under this
5 section is not eligible to receive an allowance calculated pursuant
6 to Section 24205.

7 (6) (A) Except as described in subparagraph (B), a member
8 who applies for service retirement under this section shall not
9 receive service credit for each day of accumulated and unused
10 leave of absence for illness or injury or for education pursuant to
11 Section 22717 or 22717.5.

12 (B) If the application for disability is denied or canceled, the
13 member's service retirement allowance shall be adjusted to the
14 effective date of the service retirement to include service credited
15 pursuant to Section 22717 or 22717.5.

16 (7) If the application for disability is denied or canceled, a
17 member who applies for a service retirement allowance under this
18 section is subject to all of the following:

19 (A) Unless otherwise provided in this part, a member who, on
20 his or her application for service retirement, elects an option
21 pursuant to Section 24300.1 or 24307 may not change or revoke
22 that option.

23 (B) If the member receives a modified service retirement
24 allowance based on the election of an option pursuant to Section
25 24300.1 or 24307, that modified service retirement allowance shall
26 continue in effect and unchanged.

27 (C) If the member did not elect an option pursuant to Section
28 24300.1 or 24307 and receives an unmodified service retirement
29 allowance, that unmodified service retirement allowance shall
30 continue in effect and unchanged.

31 (b) A member who applies for service retirement under this
32 section may change or cancel his or her service retirement
33 application pursuant to Section 24204, or may terminate his or her
34 service retirement allowance pursuant to Section 24208.

35 (c) A member may not cancel his or her application for disability
36 prior to a determination of that application unless he or she submits
37 a written request to the system's headquarters office. If a member
38 elects to cancel his or her service retirement application or elects
39 to terminate his or her service retirement allowance as described

1 in subdivision (b), that election shall not cancel the application for
2 disability.

3 (d) (1) Subparagraph (C) of paragraph (1) of subdivision (a)
4 of Section 24001 and paragraph (3) of subdivision (a) of Section
5 24101 shall not apply to a member who cancels an application for
6 service retirement pursuant to Section 24204 or who terminates a
7 service retirement allowance pursuant to Section 24208, if all of
8 the following apply:

9 (A) The member earned at least one year of credited service
10 subsequent to the most recent terminated service retirement
11 allowance.

12 (B) The member's application for disability under this section
13 is pending determination by the board.

14 (2) If the member's application for disability under this section
15 is denied or canceled, subparagraph (C) of paragraph (1) of
16 subdivision (a) of Section 24001 and paragraph (3) of subdivision
17 (a) of Section 24101 shall apply if the member submits a new
18 application for disability.

19 (e) (1) If the board approves the application for disability, and
20 notwithstanding subdivision (f) of Section 24204, the board shall
21 cancel the member's application for service retirement and shall
22 authorize payment of a disability allowance or disability retirement.

23 (2) If the board approves the application for disability and the
24 member has received service retirement allowance payments under
25 this part, the effective date for the disability allowance or disability
26 retirement shall be the same as the effective date of the service
27 retirement allowance.

28 (f) If a member who applies for service retirement under this
29 section dies prior to a determination by the board on the application
30 for disability, the member shall be considered retired for service
31 at the time of death, and any subsequent benefits shall be paid
32 accordingly.

33 (g) If a member who applies for service retirement under this
34 section dies after the board has approved the member's application
35 for disability, the member shall be considered a disabled member,
36 or retired for disability, at the time of death, and any subsequent
37 benefits shall be paid accordingly, even if the member died prior
38 to receiving notification of the approval of his or her application
39 for disability.

1 (h) If the member changes or cancels his or her service
2 retirement application or terminates his or her service retirement
3 allowance as described in subdivision (b), the system shall make
4 appropriate adjustments to the applicable service retirement
5 allowance, disability allowance, or disability retirement allowance,
6 retroactive to the effective date of the disability allowance or
7 disability retirement allowance. Subdivision (a) of Section 24617
8 shall not apply.

9 (i) The system may recover a service retirement allowance
10 overpayment made to a member by deducting that overpayment
11 from any subsequent disability benefit payable to the member.

12 (j) Nothing in this section shall be construed to allow a member
13 or beneficiary to receive more than one type of retirement or
14 disability allowance for the same period of time.

15 SEC. 24. Section 24203.5 of the Education Code is amended
16 to read:

17 24203.5. (a) The percentage of final compensation used to
18 compute the allowance pursuant to Section 24202.5, 24203, or
19 24205 of a member retiring on or after January 1, 1999, who has
20 30 or more years of credited service, shall be increased by
21 two-tenths of 1 percentage point, provided that the sum of the
22 percentage of final compensation used to compute the allowance,
23 including any adjustments for retiring before the normal retirement
24 age, and the additional percentage provided by this section does
25 not exceed 2.40 percent.

26 (b) For purposes of establishing eligibility for the increased
27 allowance pursuant to this section only, credited service shall
28 exclude service credited pursuant to the following:

29 (1) Section 22714.

30 (2) Section 22715.

31 (3) Section 22717, except as provided in subdivision (b) of
32 Section 22121.

33 (4) Section 22717.5.

34 (c) For purposes of establishing eligibility for the increased
35 allowance pursuant to this section only, credited service shall
36 include credited service that a court has ordered be awarded to a
37 nonmember spouse pursuant to Section 22652. A nonmember
38 spouse shall also be eligible for the increased allowance pursuant
39 to this section if the member had 30 or more years of credited

1 service on the date the parties separated, as established in the
2 judgment or court order pursuant to Section 22652.

3 (d) Nonqualified service credit for which contributions pursuant
4 to Section 22826 were made in a lump sum on or after January 1,
5 2000, or for which the first installment was made on or after
6 January 1, 2000, may not be included in determining the eligibility
7 for an increased allowance pursuant to this section.

8 SEC. 25. Section 24203.6 of the Education Code is amended
9 to read:

10 24203.6. (a) In addition to the amount otherwise payable
11 pursuant to Sections 24202.5, 24203, 24203.5, 24205, 24209,
12 24209.3, 24210, 24211, and 24212, a member shall receive an
13 increase in the monthly allowance, prior to any modification
14 pursuant to Sections 24300, 24300.1, and 24309, in the amount
15 identified in subdivision (b), if the member meets all of the
16 following criteria:

17 (1) The member retires for service on or after January 1, 2001.

18 (2) Prior to January 1, 2011, the member has 30 or more years
19 of credited service, including any credited service that a court has
20 ordered be awarded to a nonmember spouse pursuant to Section
21 22652, but excluding service credited pursuant to the following:

22 (A) Section 22714.

23 (B) Section 22715.

24 (C) Section 22717, except as provided in subdivision (b) of
25 Section 22121.

26 (D) Section 22717.5.

27 (E) Section 22826.

28 (3) The member is receiving an allowance subject to Section
29 24203.5.

30 (b) The amount of the increase in the monthly allowance shall
31 be based on the member's years of credited service at the time of
32 retirement as follows:

33		
34	30 years of credited service	\$200
35	31 years of credited service	\$300
36	32 or more years of credited service	\$400
37		

38 (c) This section also applies to a nonmember spouse, if all of
39 the following conditions are satisfied:

1 (1) The member is eligible for the allowance increase pursuant
2 to subdivisions (a) and (b) upon his or her retirement for service.
3 (2) On the date the parties separated, as established in the
4 judgment or court order pursuant to Section 22652, the member
5 had at least 30 years of credited service, excluding service credited
6 pursuant to the following:
7 (A) Section 22714.
8 (B) Section 22715.
9 (C) Section 22717, except as provided in subdivision (b) of
10 Section 22121.
11 (D) Section 22717.5.
12 (E) Section 22826.
13 (3) The service credit of the member was divided into separate
14 accounts in the name of the member and the nonmember spouse
15 by a court pursuant to Section 22652. The amount identified in the
16 schedule in subdivision (b) and payable pursuant to this section,
17 that is based on the service credited during the marriage, shall be
18 divided and paid to the member and the nonmember spouse
19 proportionately according to the respective percentages of the
20 member’s service credit that were allocated to the member and the
21 nonmember spouse in the court’s order.
22 (d) The allowance increase provided under this section is not
23 subject to Sections 24415 and 24417, but is subject to Section
24 22140.
25 SEC. 26. Section 24204 of the Education Code is amended to
26 read:
27 24204. (a) A service retirement allowance under this part shall
28 become effective upon any date designated by the member,
29 provided all of the following conditions are met:
30 (1) An application for service retirement allowance is filed on
31 a form provided by the system, which is executed no earlier than
32 six months before the effective date of retirement allowance.
33 (2) The effective date is later than the last day of creditable
34 service for which compensation is payable to the member.
35 (3) The effective date is no earlier than one day after the date
36 on which the retirement allowance was terminated under Section
37 24208.
38 (4) The effective date is no earlier than one year following the
39 date on which the retirement allowance was terminated under
40 subdivision (a) of Section 24117.

1 (5) The effective date is no earlier than the date upon and
2 continuously after which the member is determined to the
3 satisfaction of the board to have been mentally incompetent.

4 (6) The effective date is no earlier than the date upon which the
5 member completes payment of a service credit purchase pursuant
6 to Section 22801, 22820, or 22826, or payment of a redeposit of
7 contributions pursuant to Section 23200, except as provided in
8 Section 22801 or 22829.

9 (b) A member who files an application for service retirement
10 may change or cancel his or her retirement application, as long as
11 the form provided by the system is received in the system's
12 headquarters office no later than 30 days from the date the
13 member's initial benefit payment for the member's most recent
14 retirement under the Defined Benefit Program is paid by the
15 system. If a member cancels his or her retirement application, the
16 member shall return the total gross distribution amount of all
17 payments for the canceled retirement benefit to the system's
18 headquarters office no later than 45 days from the date of the
19 member's initial benefit payment and shall be liable for any adverse
20 tax consequences that may result from these actions.

21 (c) The retirement date of a member retiring on or after January
22 1, 2012, shall be no earlier than January 1, 2012.

23 (d) Nothing in this section shall be construed to allow a member
24 to receive more than one type of retirement or disability allowance
25 for the same period of time by virtue of his or her own membership.

26 SEC. 27. Section 24208 of the Education Code is amended to
27 read:

28 24208. (a) A member retired for service under this part may
29 terminate the retirement allowance payable under this part and
30 applicable to his or her credited service upon written request to
31 the system effective upon a date designated by the member, subject
32 to the following conditions:

33 (1) The request for termination of the retirement allowance is
34 filed on a form provided by the system, and the form is executed
35 no earlier than six months before the effective date of the
36 termination.

37 (2) The effective date of the termination of the retirement
38 allowance is no earlier than the first day of the month in which the
39 request for termination is received in the system's headquarters

1 office or no earlier than one day after the benefit effective date of
2 the most recent retirement, whichever is later.

3 (b) A member who files a request for termination of the
4 retirement allowance may cancel the termination upon written
5 request to the system, provided that the cancellation request is
6 received in the system’s headquarters office no later than the last
7 day of the month in which the termination is effective.

8 (c) A member whose retirement allowance is terminated
9 pursuant to this section may apply for retirement pursuant to
10 Section 24209 or Section 24209.3, in accordance with Section
11 24204.

12 (d) A member whose retirement allowance is terminated
13 pursuant to this section may not file a preretirement election of an
14 option pursuant to Section 24307 within one year of reinstatement
15 that elects either a different option or a different beneficiary or set
16 of beneficiaries, or both, than were in effect at the time the
17 retirement allowance was terminated.

18 (e) A member whose retirement allowance is terminated
19 pursuant to this section and retires pursuant to Section 24209 with
20 a benefit effective date within one year of reinstatement shall elect
21 the same option and beneficiary or beneficiaries that were in effect
22 at the time the retirement allowance was terminated.

23 SEC. 28. Section 24209 of the Education Code is amended to
24 read:

25 24209. (a) Upon retirement for service following reinstatement,
26 the member shall receive a service retirement allowance equal to
27 the sum of both of the following:

28 (1) An amount equal to the monthly allowance the member was
29 eligible to receive immediately preceding reinstatement, exclusive
30 of any amounts payable pursuant to Section 22714, or 22715,
31 increased by the improvement factor that would have been applied
32 to the allowance if the member had not reinstated.

33 (2) An amount calculated pursuant to Section 24202, 24202.5,
34 24203, 24203.5, or 24206 on service credited subsequent to the
35 most recent reinstatement, the member’s age at retirement, and
36 final compensation.

37 (b) If the total amount of credited service, other than that accrued
38 pursuant to Sections 22714, 22715, 22717, 22717.5, and 22826,
39 is equal to or greater than 30 years, the amounts identified in
40 paragraphs (1), for members who initially retired on or after

1 January 1, 1999, and (2) of subdivision (a) shall be calculated
2 pursuant to Section 24203.5.

3 (c) If the total amount of credited service, other than that accrued
4 pursuant to Sections 22714, 22715, 22717, 22717.5, and 22826,
5 is equal to or greater than 30 years, upon retirement for service
6 following reinstatement, a member who retired pursuant to Section
7 24213, and received the terminated disability allowance for the
8 prior retirement, shall receive a service retirement allowance equal
9 to the sum of the following:

10 (1) An amount based on the service credit accrued prior to the
11 effective date of the disability allowance, the member's age at the
12 prior retirement increased by the factor provided in Section
13 24203.5, and projected final compensation.

14 (2) An amount calculated pursuant to Section 24202, 24202.5,
15 24203.5, or 24206 on service credited subsequent to the
16 reinstatement, the member's age at retirement, and final
17 compensation.

18 (d) For purposes of this section, final compensation shall not
19 be based on a determination of compensation earnable as described
20 in subdivision (e) of Section 22115.

21 SEC. 29. Section 24209.3 of the Education Code is amended
22 to read:

23 24209.3. (a) Notwithstanding subdivision (a) of Section 24209,
24 and exclusive of any amounts payable during the prior retirement
25 for service pursuant to Section 22714, or 22715:

26 (1) A member who retired, other than pursuant to Section 24210,
27 24211, 24212, or 24213, and who reinstates and performs creditable
28 service, as defined in Section 22119.5, after the most recent
29 reinstatement, in an amount equal to two or more years of credited
30 service, shall, upon retirement for service on or after the effective
31 date of this section, receive a service retirement allowance equal
32 to the sum of the following:

33 (A) An amount calculated pursuant to this chapter based on
34 credited service performed prior to the most recent reinstatement,
35 using the member's age at the subsequent service retirement, from
36 which age shall be deducted the total time during which the
37 member was retired for service, and final compensation.

38 (B) An amount calculated pursuant to this chapter based on
39 credited service performed subsequent to the most recent

1 reinstatement, using the member's age at the subsequent service
2 retirement, and final compensation.

3 (2) A member who retired pursuant to Section 24210 and who
4 reinstates and performs creditable service, as defined in Section
5 22119.5, after the most recent reinstatement, in an amount equal
6 to two or more years of credited service, shall, upon retirement for
7 service on or after the effective date of this section, receive a
8 service retirement allowance equal to the sum of the following:

9 (A) An amount calculated pursuant to this chapter based on
10 service credit accrued prior to the effective date of the disability
11 retirement, using the member's age at the subsequent service
12 retirement, from which age shall be deducted the total time during
13 which the member was retired for service, and indexed final
14 compensation to the effective date of the initial service retirement.

15 (B) An amount calculated pursuant to this chapter based on the
16 service credit accrued after termination of the disability retirement,
17 using the member's age at the subsequent service retirement, from
18 which age shall be deducted the total time during which the
19 member was retired for service, and final compensation.

20 (C) An amount calculated pursuant to this chapter based on
21 credited service performed subsequent to the most recent
22 reinstatement, using the member's age at the subsequent service
23 retirement, and final compensation.

24 (3) A member who retired pursuant to Section 24211 and who
25 reinstates and performs creditable service, as defined in Section
26 22119.5, after the most recent reinstatement, in an amount equal
27 to two or more years of credited service, shall, upon retirement for
28 service on or after the effective date of this section, receive a
29 service retirement allowance equal to the sum of the following:

30 (A) The greater of (i) the disability allowance the member was
31 receiving immediately prior to termination of that allowance,
32 excluding the children's portion, or (ii) an amount calculated
33 pursuant to this chapter based on service credit accrued prior to
34 the effective date of the disability allowance, using the member's
35 age at the subsequent service retirement, from which age shall be
36 deducted the total time during which the member was retired for
37 service, and final compensation using compensation earnable or
38 projected final compensation or a combination of both.

39 (B) An amount equal to either of the following:

1 (i) For a member who was receiving a benefit pursuant to
2 subdivision (a) of Section 24211, the member's credited service
3 at the time of the retirement pursuant to Section 24211, excluding
4 service credited pursuant to Section 22717 or 22717.5 or Chapter
5 14 (commencing with Section 22800) or Chapter 14.2
6 (commencing with Section 22820) or Chapter 19 (commencing
7 with Section 23200).

8 (ii) For a member who was receiving a benefit pursuant to
9 subdivision (b) of Section 24211, the member's projected service,
10 excluding service credited pursuant to Section 22717 or 22717.5
11 or Chapter 14 (commencing with Section 22800) or Chapter 14.2
12 (commencing with Section 22820) or Chapter 19 (commencing
13 with Section 23200).

14 (C) An amount calculated pursuant to this chapter based on
15 credited service performed subsequent to the most recent
16 reinstatement, using the member's age at the subsequent service
17 retirement, and final compensation using compensation earnable
18 or projected final compensation or a combination of both.

19 (D) An amount based on any service credited pursuant to
20 Chapter 14 (commencing with Section 22800) or Chapter 14.2
21 (commencing with Section 22820) or Chapter 19 (commencing
22 with Section 23200) or, for credited service performed during the
23 most recent reinstatement, Section 22714, 22715, 22717, or
24 22717.5, using the member's age at the subsequent service
25 retirement, from which age shall be deducted the total time during
26 which the member was retired for service, and final compensation
27 using compensation earnable, or projected final compensation, or
28 a combination of both.

29 (4) A member who retired pursuant to Section 24212 or 24213
30 and who reinstates and performs creditable service, as defined in
31 Section 22119.5, after the most recent reinstatement, in an amount
32 equal to two or more years of credited service, shall, upon
33 retirement for service on or after the effective date of this section,
34 receive a service retirement allowance equal to the sum of the
35 following:

36 (A) An amount calculated pursuant to this chapter based on the
37 member's projected service credit, excluding service credited
38 pursuant to Section 22717, 22717.5, or Chapter 14 (commencing
39 with Section 22800) or Chapter 14.2 (commencing with Section
40 22820) or Chapter 19 (commencing with Section 23200), using

1 the member's age at the subsequent service retirement, from which
2 age shall be deducted the total time during which the member was
3 retired for service, and final compensation using compensation
4 earnable or projected final compensation or a combination of both.

5 (B) An amount calculated pursuant to this chapter based on
6 credited service performed subsequent to the most recent
7 reinstatement, using the member's age at the subsequent service
8 retirement, and final compensation, using compensation earnable
9 or projected final compensation or a combination of both.

10 (C) An amount based on any service credited pursuant to
11 Chapter 14 (commencing with Section 22800) or Chapter 14.2
12 (commencing with Section 22820) or Chapter 19 (commencing
13 with Section 23200) or, for credited service performed during the
14 most recent reinstatement, Section 22714, 22715, 22717, or
15 22717.5, using the member's age at the subsequent service
16 retirement, from which age shall be deducted the total time during
17 which the member was retired for service, and final compensation
18 using compensation earnable, or projected final compensation, or
19 a combination of both.

20 (b) If the total amount of credited service, other than that accrued
21 pursuant to Sections 22714, 22715, 22717, 22717.5, and 22826,
22 is equal to or greater than the number of years required to be
23 eligible for an increased allowance pursuant to this chapter or
24 Section 22134.5, the amounts identified in this section shall be
25 calculated pursuant to the section authorizing the increased benefit.

26 (c) For members receiving an allowance pursuant to Section
27 24410.5 or 24410.6, the amount payable pursuant to this section
28 shall not be less than the amount payable to the member as of the
29 effective date of reinstatement.

30 (d) The amount payable pursuant to this section shall not be
31 less than the amount that would be payable to the member pursuant
32 to Section 24209.

33 (e) For purposes of determining an allowance increase pursuant
34 to Sections 24415 and 24417, the calendar year of retirement shall
35 be the year of the subsequent retirement if the final compensation
36 used to calculate the allowance pursuant to this section is higher
37 than the final compensation used to calculate the allowance for
38 the prior retirement.

1 (f) The allowance paid pursuant to this section to a member
2 receiving a lump-sum payment pursuant to Section 24221 shall be
3 actuarially reduced to reflect that lump-sum payment.

4 (g) For purposes of this section, final compensation shall not
5 be based on a determination of compensation earnable as described
6 in subdivision (e) of Section 22115.

7 SEC. 30. Section 24211 of the Education Code is amended to
8 read:

9 24211. When a member who has been granted a disability
10 allowance under this part after June 30, 1972, returns to
11 employment subject to coverage under the Defined Benefit
12 Program and performs:

13 (a) Less than three years of creditable service after termination
14 of the disability allowance, the member shall receive a retirement
15 allowance which is the sum of the allowance calculated on service
16 credit accrued after the termination date of the disability allowance,
17 the age of the member on the last day of the month in which the
18 retirement allowance begins to accrue, and final compensation
19 using compensation earnable or projected final compensation, or
20 a combination of both, plus the greater of either of the following:

21 (1) A service retirement allowance calculated on service credit
22 accrued as of the effective date of the disability allowance, the age
23 of the member on the last day of the month in which the retirement
24 allowance begins to accrue, and projected final compensation
25 excluding service credited pursuant to Sections 22717 and 22717.5
26 or Chapter 14 (commencing with Section 22800) or Chapter 14.2
27 (commencing with Section 22820) or Chapter 19 (commencing
28 with Section 23200), to the termination date of the disability
29 allowance.

30 (2) The disability allowance the member was eligible to receive
31 immediately prior to termination of that allowance, excluding
32 children's portions.

33 (b) Three or more years of creditable service after termination
34 of the disability allowance, the member shall receive a retirement
35 allowance that is the greater of the following:

36 (1) A service retirement allowance calculated on all actual and
37 projected service excluding service credited pursuant to Sections
38 22717 and 22717.5 or Chapter 14 (commencing with Section
39 22800) or Chapter 14.2 (commencing with Section 22820) or
40 Chapter 19 (commencing with Section 23200), the age of the

1 member on the last day of the month in which the retirement
2 allowance begins to accrue, and final compensation using
3 compensation earnable, or projected final compensation, or a
4 combination of both.

5 (2) The disability allowance the member was receiving
6 immediately prior to termination of that allowance, excluding
7 children's portions.

8 (c) The allowance shall be increased by an amount based on
9 any service credited pursuant to Sections 22714, 22715, 22717,
10 and 22717.5 or Chapter 14 (commencing with Section 22800) or
11 Chapter 14.2 (commencing with Section 22820) or Chapter 19
12 (commencing with Section 23200), and final compensation using
13 compensation earnable, or projected final compensation, or a
14 combination of both.

15 (d) If the total amount of credited service, other than projected
16 service or service that accrued pursuant to Sections 22714, 22715,
17 22717, 22717.5, and 22826, is equal to or greater than 30 years,
18 the amounts identified in subdivisions (a) and (b) shall be
19 calculated pursuant to Sections 24203.5 and 24203.6.

20 (e) For purposes of this section, final compensation shall not
21 be based on a determination of compensation earnable as described
22 in subdivision (e) of Section 22115.

23 SEC. 31. Section 24212 of the Education Code is amended to
24 read:

25 24212. (a) If a disability allowance granted under this part
26 after June 30, 1972, is terminated for reasons other than those
27 specified in Section 24213 and the member does not return to
28 employment subject to coverage under the Defined Benefit
29 Program, the member's service retirement allowance, when
30 payable, shall be based on projected service, excluding service
31 credited pursuant to Sections 22717 and 22717.5 or Chapter 14
32 (commencing with Section 22800) or Chapter 14.2 (commencing
33 with Section 22820), projected final compensation, and the age of
34 the member on the last day of the month in which the retirement
35 allowance begins to accrue. The allowance payable under this
36 section, excluding annuities payable from accumulated annuity
37 deposit contributions, shall not be greater than the terminated
38 disability allowance excluding children's portions.

39 (b) The allowance shall be increased by an amount based on
40 any service credited pursuant to Sections 22714, 22715, 22717,

1 and 22717.5 or Chapter 14 (commencing with Section 22800) or
2 Chapter 14.2 (commencing with Section 22820) or Chapter 19
3 (commencing with Section 23200) and final compensation using
4 compensation earnable, or projected final compensation, or a
5 combination of both.

6 SEC. 32. Section 24213 of the Education Code is amended to
7 read:

8 24213. (a) When a member who has been granted a disability
9 allowance under this part after June 30, 1972, attains normal
10 retirement age, or at a later date when there is no dependent child,
11 the disability allowance shall be terminated and the member shall
12 be eligible for service retirement. The retirement allowance shall
13 be calculated on the projected final compensation and projected
14 service to normal retirement age, excluding service credited
15 pursuant to Section 22717 or 22717.5, or Chapter 14 (commencing
16 with Section 22800) or Chapter 14.2 (commencing with Section
17 22820). The allowance payable under this section, excluding
18 annuities payable from accumulated annuity deposit contributions,
19 shall not be greater than the terminated disability allowance. The
20 allowance shall be increased by an amount based on any service
21 credited pursuant to Section 22714, 22715, 22717, or 22717.5, or
22 Chapter 14 (commencing with Section 22800), Chapter 14.2
23 (commencing with Section 22820), or Chapter 19 (commencing
24 with Section 23200) and projected final compensation to normal
25 retirement age.

26 (b) Upon retirement, the member may elect to modify the service
27 retirement allowance payable in accordance with any option
28 provided under this part.

29 SEC. 33. Section 24214.5 of the Education Code is amended
30 to read:

31 24214.5. (a) Notwithstanding subdivision (f) of Section 24214,
32 the postretirement compensation limitation shall be zero dollars
33 (\$0) in either of the following circumstances:

34 (1) During the first 180 calendar days after the most recent
35 retirement of a member retired for service under this part.

36 (2) During the first 180 calendar days after the most recent
37 retirement if the member received additional service credit pursuant
38 to Section 22714 or 22715 or received from any public employer
39 any financial inducement to retire, as defined by subdivision (j)
40 of Section 24214.

1 (b) If the member has attained normal retirement age at the time
2 the compensation is earned, subdivision (a) shall not apply and
3 Section 24214 shall apply if the appointment has been approved
4 by the governing body of the employer in a public meeting, as
5 reflected in a resolution adopted by the governing body of the
6 employer prior to the performance of retired member activities,
7 expressing its intent to seek an exemption from the limitation
8 specified in subdivision (a). Approval of the appointment may not
9 be placed on a consent calendar. Notwithstanding any other
10 provision of Article 3.5 (commencing with Section 6250) of
11 Division 7 of Title 1 of the Government Code or any state or
12 federal law incorporated by subdivision (k) of Section 6254 of the
13 Government Code, the resolution shall be subject to disclosure by
14 the entity adopting the resolution and the system. The resolution
15 shall include the following specific information and findings:

- 16 (1) The nature of the employment.
 - 17 (2) A finding that the appointment is necessary to fill a critically
18 needed position before 180 calendar days have passed.
 - 19 (3) A finding that the member is not ineligible for application
20 of this subdivision pursuant to subdivision (d).
 - 21 (4) A finding that the termination of employment of the retired
22 member with the employer is not the basis for the need to acquire
23 the services of the member.
- 24 (c) Subdivision (b) shall not apply to a retired member whose
25 termination of employment with the employer is the basis for the
26 need to acquire the services of the member.
- 27 (d) Subdivision (b) shall not apply if the member received
28 additional service credit pursuant to Section 22714 or 22715 or
29 received from any public employer any financial inducement to
30 retire.
- 31 (e) The Superintendent, the county superintendent of schools,
32 or the chief executive officer of a community college shall submit
33 all documentation required by the system to substantiate the
34 eligibility of the retired member for application of subdivision (b),
35 including, but not limited to, the resolution adopted pursuant to
36 that subdivision.
- 37 (f) If a member will be receiving compensation for performance
38 of retired member activities before 180 calendar days after the
39 most recent retirement, the Superintendent, the county
40 superintendent of schools, or the chief executive officer of a

1 community college shall submit all documentation required by the
2 system that certifies that the member did not receive from any
3 public employer any financial inducement to retire.

4 (g) The documentation required by this section shall be received
5 by the system prior to the retired member's performance of retired
6 member activities.

7 (h) Within 30 calendar days after the receipt of all
8 documentation required by the system pursuant to this section, the
9 system shall inform the entity seeking application of the exemption
10 specified in subdivision (b), or seeking to employ a retired member
11 pursuant to subdivision (f), and the retired member whether the
12 compensation paid to the member will be subject to the limitation
13 specified in subdivision (a).

14 (i) If a member retired for service under this part earns
15 compensation for performing retired member activities in excess
16 of the limitation specified in subdivision (a), the member's
17 retirement allowance shall be reduced by the amount of the excess
18 compensation. The amount of the reduction may be equal to the
19 monthly allowance payable but may not exceed the amount of the
20 allowance payable during the first 180 calendar days, in accordance
21 with subdivision (a), after a member retired for service under this
22 part.

23 SEC. 34. Section 24300.2 of the Education Code is amended
24 to read:

25 24300.2. (a) A member who retired and elected an option
26 pursuant to Section 24300 may elect to change options, subject to
27 all of the following:

28 (1) A member who elected Option 2 may elect to change to the
29 100-percent beneficiary option described in paragraph (1) or the
30 75-percent beneficiary option described in paragraph (2) of
31 subdivision (a) of Section 24300.1.

32 (2) A member who elected Option 3, Option 4, or Option 5 may
33 elect to change to the 75-percent beneficiary option described in
34 paragraph (2) or the 50-percent beneficiary option described in
35 paragraph (3) of subdivision (a) of Section 24300.1.

36 (3) A member who elected Option 6 or Option 7 may elect to
37 change to the 75-percent beneficiary option described in paragraph
38 (2) of subdivision (a) of Section 24300.1.

1 (4) A member who elected Option 8 may elect to have any
2 designated percentage of his or her unmodified allowance changed
3 in accordance with paragraph (1), (2), or (3).

4 (5) The election by a member under this section is made on or
5 after January 1, 2007, and prior to July 1, 2007.

6 (6) The member designates the same beneficiary that was
7 designated under the prior option elected by the member, if the
8 option and beneficiary designation were effective on or before
9 December 31, 2006.

10 (7) The member and the option beneficiary are not afflicted
11 with a known terminal illness and the member declares, under
12 penalty of perjury under the laws of this state, that to the best of
13 his or her knowledge, he or she and the option beneficiary are not
14 afflicted with a known terminal illness.

15 (8) The option beneficiary has not predeceased the member as
16 of the effective date of the change in the option by the member.

17 (b) The change in the option by the member shall be effective
18 on the date the election is signed, provided that the election is on
19 a properly executed form provided by the system and that election
20 is received at the system's headquarters office within 30 days after
21 the date the election is signed.

22 (c) After receipt of a member's election document, the system
23 shall mail an acknowledgment notice to the member that sets forth
24 the new option elected by the member.

25 (d) If the member and the option beneficiary are alive and not
26 afflicted with a known terminal illness, a member may cancel the
27 election to change options and elect to receive the benefit according
28 to the preexisting option election. After cancellation, the member
29 may elect to make a one-time change from the preexisting option
30 to any other option provided by and subject to the restrictions of
31 paragraph (1), (2), (3), or (4) of subdivision (a). The cancellation
32 or the cancellation and one-time change shall be made on a properly
33 executed form provided by the system and shall be received at the
34 system's headquarters office no later than 30 calendar days
35 following the date of mailing of the acknowledgment notice. If
36 the member elects to make the one-time change provided by this
37 subdivision, the change shall be effective as of the member's
38 signature date on the initial election to change.

39 (e) If the system is unable to mail an acknowledgment notice
40 to the member on or before June 1, 2007, or prior to the end of the

1 election period, provided that the member and the option
2 beneficiary are alive and not afflicted with a known terminal
3 illness, the system shall allow a member to cancel the election to
4 change options and elect to receive the benefit according to the
5 preexisting option election. After cancellation, the member may
6 elect to make a one-time change from the preexisting option to
7 any other option provided by and subject to the restrictions of
8 paragraph (1), (2), (3), or (4) of subdivision (a). The cancellation
9 or the cancellation and one-time change may be made after the
10 end of the election period if it is made on a properly executed form
11 provided by the system and is received at the system's headquarters
12 office no later than 30 days following the date of the
13 acknowledgment notice. If the member elects to make the one-time
14 change provided by this subdivision, the change shall be effective
15 as of the member's signature date on the initial election to change.

16 (f) If the member elects to change his or her option as described
17 in subdivision (a), the retirement allowance of the member shall
18 be modified in a manner determined by the board to prevent any
19 additional liability to the plan.

20 (g) The member shall not change options in derogation of a
21 spouse's or former spouse's community property rights as specified
22 in a court order.

23 SEC. 35. Section 24301 of the Education Code is amended to
24 read:

25 24301. (a) A member upon application for a disability
26 retirement pursuant to Chapter 26 (commencing with Section
27 24100), may elect, as provided in Section 24300 or 24300.1 to
28 receive an actuarially modified disability retirement allowance.

29 (b) For purposes of this section, the member shall either elect
30 to receive an unmodified allowance or designate an option
31 beneficiary on a properly executed form prescribed by the system,
32 either of which shall be filed with the system on or before the last
33 day of the month in which the member's disability retirement is
34 approved by the system. The option shall become effective on the
35 effective date of the disability retirement allowance. The
36 modification of the disability retirement allowance under the option
37 elected shall be based on the ages of the retired member and the
38 designated option beneficiary as of the effective date of the
39 disability retirement. The modification shall be applicable only to

1 the disability retirement allowance payable pursuant to subdivision
2 (a) of Section 24106.

3 (c) Except as provided in Sections 24300, 24300.1, 24300.6,
4 24305, 24305.5, and 24306, a member may revoke or change an
5 election of an option no later than 30 days from the date of the
6 member's initial disability retirement benefit payment.

7 (d) If a member dies prior to electing an unmodified allowance
8 or an option, the death benefits shall be payable under Chapter 23
9 (commencing with Section 23850), regardless of whether the
10 disability retirement application is or would have been approved.

11 SEC. 36. Section 24306.5 of the Education Code is amended
12 to read:

13 24306.5. (a) A member who retired for service under Option
14 2 or Option 3 with an effective date prior to January 1, 1991, may
15 elect to change Option 2 to Option 6 or Option 3 to Option 7 under
16 all of the following conditions:

17 (1) The election is made during the six-month period
18 commencing July 1, 1994, and ending December 31, 1994.

19 (2) The same beneficiary under Option 2 or Option 3 is named
20 as beneficiary under Option 6 or Option 7.

21 (3) The change in options is consistent with Sections 22453 and
22 24305.

23 (4) The option beneficiary is not afflicted with any known
24 terminal illness and the retired member shall state under penalty
25 of perjury that to the best of his or her knowledge the option
26 beneficiary is not afflicted with any known terminal illness.

27 (5) The option beneficiary has not predeceased the retired
28 member as of the effective date of the change in options.

29 (b) The change in options shall be effective on the date the
30 election is signed, provided that the election is received at the
31 system's headquarters office within 30 days after the date of the
32 signature.

33 (c) If an election to change options is made pursuant to this
34 section, the modified allowance shall be reduced in a manner
35 determined by the board to ensure that no additional liability shall
36 be incurred by the plan pursuant to this section.

37 SEC. 37. Section 24306.7 of the Education Code is amended
38 to read:

39 24306.7. (a) Any member who retired for service under Option
40 4 or Option 5 with an effective date prior to January 1, 1991, may

1 elect to change Option 4 to Option 6 or Option 5 to Option 7 if all
2 of the following conditions are met:

3 (1) The election is made during the three-month period
4 commencing January 1, 1999, and ending March 31, 1999.

5 (2) The same beneficiary under Option 4 or Option 5 is named
6 as beneficiary under Option 6 or Option 7.

7 (3) The change in options is consistent with Sections 22453 and
8 24305.

9 (4) The option beneficiary is not afflicted with any known
10 terminal illness.

11 (5) The option beneficiary has not predeceased the retired
12 member as of the effective date of the change in option.

13 (6) The election to change the option under this section is
14 received at the system's headquarters office as described in Section
15 22375 at least 30 days prior to the death of the option beneficiary.

16 (b) Failure to satisfy all of the conditions in subdivision (a) shall
17 render the change of election invalid.

18 (c) The change in options under this section shall be effective
19 on the date the election is signed, provided all the conditions set
20 forth in subdivision (a) are satisfied and the election is received at
21 the system's headquarters office within 30 days after the date of
22 the signature.

23 (d) The election of a new joint and survivor option under this
24 section is subject to a further modification of the modified
25 retirement allowance. In no event may a retired member elect a
26 joint and survivor option that would result in any additional liability
27 to the fund.

28 SEC. 38. Section 24307 of the Education Code is amended to
29 read:

30 24307. (a) A member who qualifies to apply for retirement
31 under Section 24201 or 24203 may make a preretirement election
32 of an option, as provided in Section 24300.1 without right of
33 revocation or change after the effective date of retirement, except
34 as provided in this part. The preretirement election of an option
35 shall become effective as of the date of the member's signature
36 on a properly executed form prescribed by the system, subject to
37 the following requirements:

38 (1) The form includes the signature of the member's spouse or
39 registered domestic partner, if applicable, the signature is dated,

1 and the date of the signature is within 30 days of the member's
2 signature.

3 (2) The date the form is received at the system's headquarters
4 office is within 30 days of the date of the member's signature and
5 within 30 days of the date of the spouse or registered domestic
6 partner's signature, if applicable.

7 (b) A member who makes a preretirement election of an Option
8 2, Option 3, Option 4, Option 5, Option 6, or Option 7 pursuant
9 to Section 24300, or an election as described in paragraph (1), (2),
10 or (3) of Section 24300.1 may subsequently make a preretirement
11 election of the compound option described in paragraph (4) of
12 subdivision (a) of Section 24300.1. The member may retain the
13 same option and the same option beneficiary as named in the prior
14 preretirement election for a designated percentage within the
15 compound option.

16 (c) Upon the member's death prior to the effective date of
17 retirement, the beneficiary who was designated under the option
18 elected and who survives shall receive an allowance calculated
19 under the option, under the assumption that the member retired
20 for service pursuant to Chapter 27 (commencing with Section
21 24201) on the date of death. The payment of the allowance to the
22 option beneficiary shall be in lieu of the family allowance provided
23 in Section 23804, the payment provided in paragraph (1) of
24 subdivision (a) of Section 23802, the survivor benefit allowance
25 provided in Section 23854, and the payment provided in
26 subdivisions (a) and (b) of Section 23852, except that if the
27 beneficiary dies before all of the member's accumulated retirement
28 contributions are paid, the balance, if any, shall be paid to the estate
29 of the person last receiving or entitled to receive the allowance.
30 The accumulated annuity deposit contributions and the death
31 payment provided in Sections 23801 and 23851 shall be paid to
32 the beneficiary in a lump sum.

33 (d) If the member subsequently retires for service, and the
34 elected option has not been canceled pursuant to Section 24309,
35 a modified service retirement allowance computed under Section
36 24300 or 24300.1 and the option elected shall be paid.

37 (e) The amount of the service retirement allowance prior to
38 applying the option factor shall be calculated as of the earlier of
39 the member's age at death before retirement or age on the last day
40 of the month in which the member requested service retirement

1 be effective. The modification of the service retirement allowance
2 by the option elected shall be based on the ages of the member
3 and the beneficiary designated under the option, as of the date the
4 election was signed.

5 (f) A member who terminates the service retirement allowance
6 pursuant to Section 24208 shall not be eligible to file a
7 preretirement election of an option until one calendar year elapses
8 from the date the allowance is terminated.

9 (g) The system shall inform members who are qualified to make
10 a preretirement election of an option, through the annual statements
11 of account, that the election of an option can be made.

12 SEC. 39. Section 24309 of the Education Code is amended to
13 read:

14 24309. (a) A member may change or cancel the election of an
15 option made pursuant to Section 24307. The change or cancellation
16 shall be on a properly executed form provided by the system and
17 received at the system's headquarters office within 30 days of the
18 date of the member's signature and, if applicable, the spouse's
19 signature, and no later than 30 days from the date the member's
20 initial benefit payment for the member's most recent retirement
21 under the Defined Benefit Program is paid by the system. The
22 change or cancellation shall become effective as of the date of the
23 member's signature or the day prior to the member's retirement
24 date, whichever is earlier.

25 (1) Any change to an election of an option shall be made
26 according to Section 24307 and shall be considered a new
27 preretirement election of an option.

28 (2) Regardless of how the member elects to receive his or her
29 retirement allowance, a change made to an election of an option
30 or a cancellation of an option shall result in the reduction of that
31 allowance by an amount determined by the board to be the actuarial
32 equivalent of the coverage the member received as a result of the
33 preretirement election and that does not result in any adverse
34 funding to the plan.

35 (b) If the option beneficiary designated in the preretirement
36 election of an option pursuant to Section 24307 dies prior to the
37 member's retirement, the preretirement election shall be canceled
38 as of the day following the date of death and the member's
39 subsequent retirement allowance under this part shall be subject
40 to the allowance reduction prescribed in this section.

1 (c) If the option elected pursuant to Section 24307 is “Option
2 8” as described in paragraph (7) of subdivision (a) of Section 24300
3 or the compound option as described in paragraph (4) of
4 subdivision (a) of Section 24300.1, a member may cancel the
5 designation of an option beneficiary. If the member cancels the
6 designation of the option beneficiary or the option beneficiary
7 predeceases the member prior to the member’s retirement, the
8 member may elect to receive that portion of the retirement
9 allowance without modification for the option or elect one or
10 multiple new or existing option beneficiaries as described in
11 Section 24307. Any change or cancellation of the designation of
12 the option beneficiary under this subdivision shall result in the
13 allowance reduction prescribed in this section.

14 SEC. 40. Section 24311 of the Education Code is amended to
15 read:

16 24311. (a) A member who has a preretirement election of an
17 option in effect on December 31, 1990, may change his or her
18 preretirement election of Option 2, Option 3, Option 4, or Option
19 5; to either Option 6 or Option 7 without the allowance reduction
20 prescribed in Sections 24309 and 24310, provided the change is
21 made on or after January 1, 1991, and prior to the earlier of January
22 1, 1992, or the member’s retirement under this part.

23 (b) If the member elects to change his or her option under this
24 section, then the member shall retain the same option beneficiary
25 as named in the prior preretirement election. The election to change
26 the preretirement election under this section shall be void if not
27 received in the system’s headquarters office at least 30 days prior
28 to the death of the option beneficiary.

29 SEC. 41. Section 24312 of the Education Code is amended to
30 read:

31 24312. (a) A member who has a preretirement election of an
32 option in effect on December 31, 1999, may change his or her
33 preretirement election of Option 2, Option 3, Option 4, Option 5,
34 Option 6, or Option 7 to Option 8 without the allowance reduction
35 prescribed in Sections 24309 and 24310, provided the change is
36 made on or after January 1, 2000, and prior to the earlier of July
37 1, 2000, or the member’s effective date of retirement.

38 (b) If the member elects to change his or her option under this
39 section then the member shall retain the same option and the same
40 option beneficiary as named in the prior preretirement election of

1 an option as one of the options under Option 8. The election to
2 change the preretirement election under this section shall be void
3 if not received in the system's headquarters office at least 30 days
4 prior to the death of the option beneficiary.

5 (c) This section shall become operative on January 1, 2000.

6 SEC. 42. Section 24312.1 of the Education Code is amended
7 to read:

8 24312.1. (a) A member who has a preretirement election of
9 an option in effect on December 31, 2006, pursuant to paragraphs
10 (1) to (6), inclusive, of subdivision (a) of Section 24300 may
11 change his or her preretirement election to an option described in
12 paragraph (1), (2), or (3) of subdivision (a) of Section 24300.1
13 without the allowance reduction described in Sections 24309 and
14 24310, provided the change is made on or after January 1, 2007,
15 and prior to July 1, 2007.

16 (b) A member who has a preretirement election of Option 8 as
17 described in Section 24300 in effect on December 31, 2006, and
18 in that Option 8 election has an option pursuant to paragraphs (1)
19 to (6), inclusive, of subdivision (a) of Section 24300, may change
20 any of the options under paragraphs (1) to (6), inclusive, of
21 subdivision (a) of Section 24300 to an option described in
22 paragraph (1), (2), or (3) of subdivision (a) of Section 24300.1
23 without the allowance reduction described in Sections 24309 and
24 24310, if change is made on or after January 1, 2007, and prior to
25 July 1, 2007. A member may not change the portion of the
26 unmodified benefit that would be modified pursuant to that prior
27 option.

28 (c) The election to change the option by a member as described
29 in this section shall be subject to all of the following:

30 (1) The member may not change the option beneficiary that was
31 designated in the prior preretirement option election.

32 (2) The change in options under this section shall be effective
33 on the date the election is signed, provided that the election is on
34 a properly executed form provided by the system and received at
35 the system's headquarters office within 30 days of the date of the
36 signature.

37 (d) If the member elects to change options as described in this
38 section, the age of the member and the option beneficiary on the
39 effective date of the prior preretirement option election shall be

1 the age used to calculate the member's benefit at the time of
2 retirement.

3 SEC. 43. Section 24410 of the Education Code is amended to
4 read:

5 24410. (a) If projected final compensation is used to calculate
6 the service retirement allowance following the termination of the
7 disability allowance or if the disability allowance is continued as
8 the lesser of the two allowance calculations under Section 24212
9 or 24213, then the original disability allowance effective date shall
10 be retained as the base date for purposes of determining
11 postretirement benefit increases.

12 (b) If the disability allowance effective date is used pursuant to
13 subdivision (a), then the original disability allowance the member
14 was eligible to receive on that date shall be used for the purpose
15 of determining postretirement benefit increases. *This subdivision*
16 *shall not apply to an action filed in superior court before January*
17 *1, 2014.*

18 (c) This section shall be applicable for determining the base
19 date for applicable postretirement increases made on or after
20 January 1, 1982.

21 (d) This section shall only apply to service retirements effective
22 the day after the termination date of the disability allowance.

23 SEC. 44. Section 24415 of the Education Code is amended to
24 read:

25 24415. (a) The proceeds of the Supplemental Benefit
26 Maintenance Account shall be distributed annually in quarterly
27 supplemental payments commencing on September 1, 1990, to
28 retired members, disabled members, and beneficiaries, as defined
29 in subdivision (a) of Section 22107. The amount available for
30 distribution in any fiscal year shall not exceed the amount necessary
31 to restore purchasing power up to 85 percent of the purchasing
32 power of the initial monthly allowance, after the application of all
33 allowance increases authorized by this part, including those
34 specified in Section 24412, and excluding those provided pursuant
35 to Sections 24410.5, 24410.6, and 24410.7.

36 (b) The net revenues to be distributed shall be allocated among
37 those retired members, disabled members, and beneficiaries, as
38 defined in subdivision (a) of Section 22107, whose allowances,
39 after sequentially applying the annual improvement factor as
40 defined in Sections 22140 and 22141, and the annual supplemental

1 payment as specified in Section 24412, have the lowest purchasing
2 power percentage. The purchasing power calculation for each
3 individual shall be based on the change in the All Urban California
4 Consumer Price Index between June of the calendar year of
5 retirement and June of the fiscal year preceding the fiscal year of
6 distribution. In any year in which the purchasing power of the
7 allowances of all retired members, disabled members, and
8 beneficiaries, as defined in subdivision (a) of Section 22107, equals
9 not less than 85 percent and additional funds remain from the
10 allocation authorized by this section, those funds shall remain in
11 the Supplemental Benefit Maintenance Account for allocation in
12 future years.

13 (c) The allowance increase shall not be applicable to annuities
14 payable from the accumulated annuity deposit contributions or the
15 accumulated tax-sheltered annuity contributions.

16 (d) The increases provided by subdivision (b) are not cumulative,
17 not part of the base allowance, and will be payable only to the
18 extent that funds are available from the Supplemental Benefit
19 Maintenance Account. The board shall inform each recipient of
20 the contents of this subdivision.

21 (e) The adjustments authorized by this section are vested only
22 up to the amount payable as a result of the annual appropriation
23 made pursuant to Section 22954 and the adjustments made by the
24 board pursuant to Section 24415.5. The adjustments authorized
25 by this section shall not be included in the base allowance for
26 purposes of calculating the annual improvement defined by
27 Sections 22140 and 22141.

28 (f) Notwithstanding subdivision (b), for purposes of restoring
29 the purchasing power of benefits provided pursuant to Section
30 24410.5 for members and beneficiaries receiving benefits pursuant
31 to subdivision (b), the purchasing power calculation shall be based
32 on 85 percent of the change in the All Urban California Consumer
33 Price Index between January 2000 and June of the fiscal year
34 preceding the fiscal year of distribution, after the application of
35 increases authorized by Section 24412 that are made to the
36 allowances provided pursuant to Section 24410.5.

37 (g) Notwithstanding subdivision (b), for purposes of restoring
38 the purchasing power of benefits provided pursuant to Sections
39 24410.6 and 24410.7 for members and beneficiaries receiving
40 benefits pursuant to subdivision (b), the purchasing power

1 calculation shall be based on 85 percent of the change in the All
2 Urban California Consumer Price Index between January 2001
3 and June of the fiscal year preceding the fiscal year of distribution,
4 after the application of increases authorized by Section 24412 that
5 are made to the allowances provided pursuant to Sections 24410.6
6 and 24410.7.

7 SEC. 45. Section 24604 of the Education Code is amended to
8 read:

9 24604. (a) A member, nonmember spouse, or beneficiary
10 under this part shall specify whether monthly benefit payments
11 are to be disbursed by one of the following:

12 (1) Direct deposit (electronic funds transfer).

13 (2) Direct mail to a financial or other institution.

14 (3) Mailing to a payment address provided by the member,
15 nonmember spouse, or beneficiary.

16 (b) A member, nonmember spouse, or beneficiary under this
17 part to whom a lump-sum payment or benefit is to be disbursed,
18 and who is receiving payment for an ongoing benefit by electronic
19 funds transfer, may have the lump-sum payment disbursed by
20 electronic funds transfer to the financial institution on file for
21 payment of the ongoing benefit.

22 (c) A member, nonmember spouse, or beneficiary under this
23 part who is not receiving payment for an ongoing benefit by
24 electronic funds transfer and to whom a lump-sum payment or
25 benefit is to be disbursed shall specify the address to which the
26 payment shall be mailed.

27 (d) The system shall make available an electronic copy of the
28 benefit payment information to any member, nonmember spouse,
29 or beneficiary under this part who receives a monthly benefit
30 payment.

31 (e) (1) The system may designate electronic delivery the default
32 method of delivery of the benefit payment information, unless a
33 member, nonmember spouse, or beneficiary under this part submits
34 a written request as described in paragraphs (3) and (4).

35 (2) The system shall notify the member, nonmember spouse,
36 or beneficiary that he or she has the right to request that a copy of
37 the benefit payment information be mailed.

38 (3) If the system has received a written request from any
39 member, nonmember spouse, or beneficiary under this part, the

1 system shall mail a copy of the monthly benefit payment
2 information to that person.

3 (4) If the system has received a written request from any
4 member, nonmember spouse, or beneficiary under this part, the
5 system shall mail a copy of the benefit payment information to
6 that person, only when there is an adjustment in the allowance due
7 to an annual benefit enhancement, pursuant to Sections 22140 and
8 24402, or a change in any amount deducted from the allowance
9 due to an adjustment to an income tax withholding tax table made
10 by the Internal Revenue Service or the Franchise Tax Board.

11 (f) A payment disbursed as specified by the member,
12 nonmember spouse, or beneficiary under this part shall fully
13 discharge the board, system, and plan from any claim resulting
14 from actions taken under this section.

15 SEC. 46. Section 24613 of the Education Code is amended to
16 read:

17 24613. (a) Payment pursuant to the board's determination in
18 good faith of the existence, identity, or other facts relating to
19 entitlement of persons under this part constitutes a complete
20 discharge and release of the board, system, and plan from liability
21 for that payment.

22 (b) Notwithstanding Sections 751 and 1100 of the Family Code
23 relating to community property interests, whenever payment or
24 refund is made by this system to a member, former member, or
25 beneficiary of a member pursuant to this part, the payment shall
26 fully discharge the board, system, and plan from all adverse claims
27 thereto unless, before payment is made, a written notice of adverse
28 claim is received at the system's headquarters office .

29 SEC. 47. Section 24975 of the Education Code is amended to
30 read:

31 24975. (a) The board may develop one or more deferred
32 compensation plans under Section 457 of the Internal Revenue
33 Code that an employer may choose to establish and offer to its
34 employees who are members or participants of the plan under this
35 part or Part 14 (commencing with Section 26000) or any employee
36 of a local public agency or political subdivision of this state that
37 employs persons to perform creditable service subject to coverage
38 by the plan under this part.

39 (b) If an employer adopts a deferred compensation plan
40 described in subdivision (a):

1 (1) The employer shall enter into a written contractual
2 arrangement with the system under which the system, or a
3 third-party administrator acting on behalf of the system, shall
4 provide investment, recordkeeping, and administrative services
5 for the deferred compensation plan.

6 (2) The deferred compensation plan shall continue to constitute
7 a separate plan established and maintained by the adopting
8 employer.

9 (3) The system shall be treated as acting on behalf of the
10 employer in administering the deferred compensation plan.

11 (4) The terms and administration of the deferred compensation
12 plan shall be in accordance with the applicable provisions of
13 Section 457 of the Internal Revenue Code.

14 (5) In administering the deferred compensation plan on behalf
15 of the employer, the board shall have the same investment authority
16 and discretion and be subject to the same fiduciary standards
17 pursuant to Chapter 4 (commencing with Section 22250), with
18 respect to amounts deferred under the deferred compensation plan
19 as applied by the system with respect to the Teachers' Retirement
20 Fund.

21 (c) If an employer establishes and maintains a deferred
22 compensation plan described in subdivision (a), the deferred
23 compensation plan shall be offered to all of its employees who are
24 eligible to participate pursuant to this section.

25 (d) An employee participating in a deferred compensation plan
26 established by an employer under this section shall enter into a
27 written agreement with the employer for the deferral of
28 compensation prior to the performance of the services to which
29 that compensation relates.

30 (e) If an employer chooses to establish and maintain a deferred
31 compensation plan described in subdivision (a) that is to be
32 administered by the system, the employer shall take all necessary
33 or appropriate action to implement this section in cooperation with
34 the system.

35 SEC. 48. Section 25011.5 of the Education Code is amended
36 to read:

37 25011.5. (a) A member who retired and elected an annuity
38 pursuant to Section 25011 may elect to change annuities, subject
39 to all of the following:

1 (1) A member who elected a single life annuity with or without
2 a cash refund feature or elects a period certain annuity may not
3 change his or her annuity.

4 (2) A member who elected an annuity under paragraph (3) or
5 (4) of subdivision (a) of Section 25011 may elect an annuity under
6 paragraph (3) of subdivision (a) of Section 25011.1.

7 (3) The election by the member under this section is made on
8 or after January 1, 2007, and prior to July 1, 2007.

9 (4) The member designates the same beneficiary that was
10 designated under the prior annuity election by the member, if the
11 annuity and annuity designation was effective on December 31,
12 2006.

13 (5) The member and the annuity beneficiary are not afflicted
14 with a known terminal illness and the member declares, under
15 penalty of perjury under the laws of this state, that to the best of
16 his or her knowledge, he or she and the annuity beneficiary are
17 not afflicted with a known terminal illness.

18 (6) The annuity beneficiary has not predeceased the member as
19 of the effective date of the change in the annuity by the member.

20 (b) The change in the annuity by the member shall be effective
21 on the date the election is signed, provided that the election is on
22 a properly executed form provided by the system and that election
23 is received at the system's headquarters office within 30 days after
24 the date the election is signed.

25 (c) After receipt of a member's election document, the system
26 shall mail an acknowledgment notice to the member that sets forth
27 the new annuity elected by the member.

28 (d) If the member and the annuity beneficiary are alive and not
29 afflicted with a known terminal illness, a member may cancel the
30 election to change annuities and elect to receive the benefit
31 according to the preexisting annuity election. After cancellation,
32 the member may elect to make a one-time change from the
33 preexisting annuity to any other annuity provided by and subject
34 to the restrictions of paragraph (1), (2), (3), or (4) of subdivision
35 (a). The cancellation or the cancellation and one-time change shall
36 be made on a properly executed form provided by the system and
37 shall be received at the system's headquarters office no later than
38 30 calendar days following the date of mailing of the
39 acknowledgment notice. If the member elects to make the one-time

1 change provided by this subdivision, the change shall be effective
2 as of the member's signature date on the initial election to change.

3 (e) If the system is unable to mail an acknowledgment notice
4 to the member on or before June 1, 2007, or prior to the end of the
5 election period, provided that the member and the annuity
6 beneficiary are alive and not afflicted with a known terminal
7 illness, the system shall allow a member to cancel the election to
8 change annuities and elect to receive the benefit according to the
9 preexisting annuity election. After cancellation, the member may
10 elect to make a one-time change from the preexisting annuity to
11 any other annuity provided by and subject to the restrictions of
12 paragraph (1), (2), (3), or (4) of subdivision (a). The cancellation
13 or the cancellation and one-time change may be made after the
14 end of the election period if it is made on a properly executed form
15 provided by the system and is received at the system's headquarters
16 office no later than 30 calendar days following the date of mailing
17 of the acknowledgment notice. If the member elects to make the
18 one-time change provided by this subdivision, the change shall be
19 effective as of the member's signature date on the initial election
20 to change.

21 (f) If the member elects to change his or her annuity as described
22 in subdivision (a), the annuity of the member shall be modified in
23 a manner determined by the board to prevent any additional liability
24 to the plan.

25 (g) References to a "member" in paragraph (1) of subdivision
26 (a) shall apply to the nonmember spouse.

27 (h) The member shall not change annuities in derogation of a
28 spouse's or former spouse's community property rights as specified
29 in a court order.

30 SEC. 49. Section 25018.2 of the Education Code is amended
31 to read:

32 25018.2. (a) A member who is disabled and elected an annuity
33 pursuant to Section 25018 may elect to change annuities, subject
34 to all of the following:

35 (1) A member who elected a single life annuity with or without
36 a cash refund feature or elected a period certain annuity may not
37 change his or her annuity.

38 (2) A member who elected an annuity under paragraph (3) or
39 (4) of subdivision (b) of Section 25018 may elect an annuity under
40 paragraph (3) of subdivision (a) of Section 25018.1.

1 (3) The election by the member under this section is made on
2 or after January 1, 2007, and prior to July 1, 2007.

3 (4) The member designates the same annuity beneficiary that
4 was designated under the prior annuity election by the member, if
5 the annuity and the annuity designation were effective on December
6 31, 2006.

7 (5) The member and the annuity beneficiary are not afflicted
8 with a known terminal illness and the member declares, under
9 penalty of perjury under the laws of this state, that to the best of
10 his or her knowledge, he or she and the annuity beneficiary are
11 not afflicted with a known terminal illness.

12 (6) The annuity beneficiary has not predeceased the member as
13 of the effective date of the change in the annuity by the member.

14 (b) The change in the annuity by the member shall be effective
15 on the date the election is signed, provided that the election is on
16 a properly executed form provided by the system and that election
17 is received at the system's headquarters office within 30 days after
18 the date the election is signed.

19 (c) After receipt of a member's election document, the system
20 shall mail an acknowledgment notice to the member that sets forth
21 the new annuity elected by the member.

22 (d) If the member and the annuity beneficiary are alive and not
23 afflicted with a known terminal illness, a member may cancel the
24 election to change annuities and elect to receive the benefit
25 according to the preexisting annuity election. After cancellation,
26 the member may elect to make a one-time change from the
27 preexisting annuity to any other annuity provided by and subject
28 to the restrictions of paragraph (1), (2), (3), or (4) of subdivision
29 (a). The cancellation or the cancellation and one-time change shall
30 be made on a properly executed form provided by the system and
31 shall be received at the system's headquarters office no later than
32 30 calendar days following the date of mailing of the
33 acknowledgment notice. If the member elects to make the one-time
34 change provided by this subdivision, the change shall be effective
35 as of the member's signature date on the initial election to change.

36 (e) If the system is unable to mail an acknowledgment notice
37 to the member on or before June 1, 2007, or prior to the end of the
38 election period, provided that the member and the annuity
39 beneficiary are alive and not afflicted with a known terminal
40 illness, the system shall allow a member to cancel the election to

1 change annuities and elect to receive the benefit according to the
2 preexisting annuity election. After cancellation, the member may
3 elect to make a one-time change from the preexisting annuity to
4 any other annuity provided by and subject to the restrictions of
5 paragraph (1), (2), (3), or (4) of subdivision (a). The cancellation
6 or the cancellation and one-time change may be made after the
7 end of the election period if it is made on a properly executed form
8 provided by the system and is received at the system's headquarters
9 office no later than 30 calendar days following the date of mailing
10 of the acknowledgment notice. If the member elects to make the
11 one-time change provided by this subdivision, the change shall be
12 effective as of the member's signature date on the initial election
13 to change.

14 (f) If the member elects to change his or her annuity as described
15 in subdivision (a), (d), or (e), the annuity of the member shall be
16 modified in a manner determined by the board to prevent any
17 additional liability to the plan.

18 (g) The member shall not change annuities in derogation of a
19 spouse's or former spouse's community property rights as specified
20 in a court order.

21 SEC. 50. Section 25022 of the Education Code is amended to
22 read:

23 25022. (a) If the death of a member occurs while the member
24 is receiving an annuity under the Defined Benefit Supplement
25 Program, the final benefit shall be payable in accordance with the
26 terms of the annuity elected by the member.

27 (b) If the member was receiving a single life annuity without a
28 cash refund feature, a final benefit is not payable other than the
29 accrued annuity for the month in which the member's death
30 occurred, which shall be paid in a lump sum to the beneficiary
31 designated by the member pursuant to Section 23300 or 23301.

32 (c) If the member was receiving a single life annuity with a cash
33 refund feature, the final benefit shall be payable in a lump sum to
34 the beneficiary designated by the member pursuant to Section
35 23300 or 23301.

36 (d) If the member was receiving a joint and survivor annuity,
37 the annuity shall continue to be paid to the surviving designated
38 annuity beneficiary. If the designated annuity beneficiary
39 predeceases the member, a final benefit is not payable.

1 (e) If the member was receiving a period certain annuity, the
2 remaining balance of payments shall be paid to the beneficiary
3 designated by the member.

4 (1) If the beneficiary is designated pursuant to Section 23300,
5 the remaining period certain annuity payments shall be made over
6 the amount of time remaining in the period originally elected by
7 the deceased member and shall be made in payments equal to the
8 amount of the annuity payments previously received by the
9 deceased member.

10 (2) If the beneficiary is designated pursuant to Section 23301,
11 the remaining balance of period certain annuity payments shall be
12 made in a lump-sum payment equal to the present value of the
13 balance of payments due over the time remaining in the period
14 originally elected by the deceased member.

15 (f) A member may designate a beneficiary who would, upon
16 the death of the member, be entitled to the member's accrued
17 annuity allowance.

18 SEC. 51. Section 25101 of the Education Code is amended to
19 read:

20 25101. A prospective vendor of 403(b) products that offers
21 those products, or the products of other 403(b) vendors, to
22 employers and their eligible employees, shall register those
23 products with the board pursuant to this chapter. Registered vendors
24 shall offer only registered 403(b) products as funding vehicles for
25 403(b) plans.

26 (a) Prospective vendors shall be registered with the board based
27 upon a complete response to the disclosures required by this
28 subdivision. This information shall be included in the impartial
29 investment information bank established pursuant to Section 25104.
30 The prospective vendors shall provide the following information:

31 (1) A statement of experience in California and in other states
32 in providing retirement annuities, custodial account mutual fund
33 arrangements, or other retirement products and related financial
34 services under public employer retirement plans.

35 (2) A characterization by the vendor of its offering as either an
36 annuity or custodial account, as defined under Sections 403(b)(1)
37 and 403(b)(7) of the Internal Revenue Code, respectively.

38 (3) A disclosure of all expenses paid directly or indirectly by
39 retirement plan participants, including, but not limited to, penalties
40 for early withdrawals, declining or fixed withdrawal charges,

1 surrender or deposit charges, management fees, and annual fees,
2 supported by documentation as required for prospectus disclosure
3 by the Financial Industry Regulatory Authority and the Securities
4 and Exchange Commission. Vendors shall be required to provide
5 information regarding the impact of product fees upon a
6 hypothetical investment, as described in Section 25104.

7 (4) The types of products, product features, including presence
8 of two tier annuity features, services offered to participants, and
9 information about how to access product prospectuses or other
10 relevant product information.

11 (5) A discussion of the ability, experience, and commitment of
12 the vendor to provide retirement counseling and education services,
13 including, but not limited to, access to group meetings and
14 individual counseling by various means, including telephone and
15 telecommunications devices for the deaf (TDD), Internet, and
16 face-to-face consultations by registered representatives.

17 (6) A statement of the financial strength and stability of the
18 vendor, as may be applicable, by identifying its ratings assigned
19 by nationally recognized rating services that evaluate the financial
20 strength of life insurance, mutual funds, and other similar
21 companies.

22 (7) The location of offices and counselors, or method of
23 distribution, of the vendor relative to serving employers and their
24 eligible employees in California.

25 (8) A description of the ability of the vendor to comply with all
26 applicable provisions of federal and state law governing retirement
27 plans, including minimum distribution requirements and
28 contribution limits.

29 (9) To the extent applicable, the demonstrated ability of the
30 vendor to offer an appropriate array of accumulation funding
31 options, including, but not limited to, a diversified mix of value,
32 growth, growth and income, hybrid and index funds or accounts
33 across large, mid, and small capitalization asset classes, both
34 domestic and international. These investment products may include
35 mutual funds, group or individual annuity contracts, fixed or
36 variable annuity contracts, individual retirement annuities, interests
37 in trust and collective trusts, separate accounts, and other financial
38 instruments.

39 (10) A discussion of the range of administrative and customer
40 services provided, including asset allocation, accounting and

1 administration of benefits for individual participants, recordkeeping
2 for individual participants, asset purchase, control, and safekeeping,
3 execution of a participant's instructions as to asset and contribution
4 allocation, calculation of daily net asset values, direct access for
5 participants to their account information, periodic reporting to
6 active participants, not less than quarterly, on their account
7 balances and transactions, and compliance with the standard of
8 care applicable in the provision of investment services and
9 consistent with federal law.

10 (11) Certification by the vendor that the information provided
11 to the board accurately reflects the provisions of the Section 403(b)
12 products they register pursuant to this chapter.

13 (b) Registration may not be conditioned upon the content of the
14 information.

15 (c) Vendors shall supply information and data in the format
16 required by the board.

17 SEC. 52. Section 25103 of the Education Code is amended to
18 read:

19 25103. (a) The board may remove a vendor from the registry
20 if the vendor submits materially inaccurate information to the
21 board, does not remit assessed fees within 60 days, or fails to
22 submit notice of material changes to its registered investment
23 products, pursuant to Section 25102. Vendors found to have
24 submitted materially inaccurate information to the board shall be
25 allowed 60 days to correct the information. The board may refer
26 vendors that submit information required under Section 25102 that
27 is materially inaccurate and may constitute conduct prohibited by
28 the Financial Industry Regulatory Authority and the California
29 Department of Insurance to those entities.

30 (b) The board shall remove a vendor from the registry if the
31 vendor is not licensed or has had its license revoked by the
32 Financial Industry Regulatory Authority or the California
33 Department of Insurance for engaging in conduct prohibited by
34 those entities.

35 (c) The board shall establish an appeals process pursuant to
36 Section 22219 for vendors that are denied registration or removed
37 from the registry.

38 SEC. 53. Section 25106 of the Education Code is amended to
39 read:

1 25106. The board shall design the information bank Internet
2 Web site and include retirement investment product plan
3 information and education materials taken from and referenced to
4 the Internal Revenue Service, the Securities and Exchange
5 Commission, the National Association of Insurance
6 Commissioners, and other applicable governmental or regulatory
7 agencies. Information shall be presented and used in a manner that
8 is consistent with the rules of those agencies and with rules of the
9 Financial Industry Regulatory Authority. The information shall
10 be offered as a preface to the vendor information required in
11 Section 25101. The preface shall include, but shall not be limited
12 to, the following information:

13 (a) An explanation of Section 403(b) of the Internal Revenue
14 Code of 1986.

15 (b) The retirement investment products that may be purchased
16 under Section 403(b) of the Internal Revenue Code of 1986, and
17 with definitions of those products.

18 (c) Definitions or explanations of all fees referred to in the
19 investment information bank.

20 SEC. 54. Section 25940 of the Education Code is amended to
21 read:

22 25940. (a) Effective July 1, 2001, the system shall pay to the
23 federal Centers for Medicare and Medicaid Services or a successor
24 agency the premiums associated with Medicare Part A for retired
25 or disabled members described in this section.

26 (b) This section shall apply only to a retired member of the
27 Defined Benefit Program who meets all of the following
28 requirements:

29 (1) The member retired prior to January 1, 2001, or began
30 receiving a disability allowance prior to January 1, 2001, and has
31 been continually disabled since January 1, 2001.

32 (2) The member is not eligible for Medicare Part A without
33 payment of a premium.

34 (3) The member is at least 65 years of age.

35 (4) The member enrolled in Medicare Parts A and B.

36 (c) The board may extend eligibility for the payments described
37 in this section to members of the Defined Benefit Program who
38 meet the requirements of subdivision (d) and who retire or begin
39 receiving a disability allowance on or after January 1, 2001, within
40 a school year specified by the board, if the board finds that the

1 cost of the payments for members who retire or begin receiving a
2 disability allowance during the specified school year may be paid
3 within the anticipated resources available in the fund, as determined
4 by the actuarial valuation of the program established by this
5 chapter. Any extension of eligibility to members who retire or
6 begin receiving a disability allowance on or after January 1, 2001,
7 shall be provided equally to any member who meets the
8 requirements of subdivision (d) and retires or begins receiving a
9 disability allowance during the school year specified by the board.

10 (d) (1) Eligibility for the payments described in this section
11 pursuant to subdivision (c) shall be limited to members of the
12 Defined Benefit Program who do either of the following:

13 (A) Retires from an employer that does either of the following:

14 (i) Completed a division pursuant to Section 22156 of the
15 Government Code prior to January 1, 2001.

16 (ii) Completed or is conducting a division pursuant to Section
17 22156 of the Government Code on or after January 1, 2001, and,
18 if the member was less than 58 years of age at the time of the
19 division, the member elected to be covered by Medicare.

20 (B) Began receiving a disability allowance and continuously
21 receives a disability allowance until 65 years of age or older and
22 the member's last employer does any of the following:

23 (i) Completed a division pursuant to Section 22156 of the
24 Government Code prior to January 1, 2001.

25 (ii) Completed or is conducting a division pursuant to Section
26 22156 of the Government Code on or after January 1, 2001, and,
27 if the member was still actively employed and less than 58 years
28 of age at the time of the division, the member elected to be covered
29 by Medicare.

30 (iii) Completed or is conducting a division pursuant to Section
31 22156 of the Government Code on or after January 1, 2001, and,
32 if the member is no longer actively employed, the division was
33 completed prior to the time the member reached normal retirement
34 age.

35 (2) For purposes of paragraph (1), a division occurs during the
36 10-day period during which the member has the opportunity to
37 elect to be covered by Medicare pursuant to Section 22156 of the
38 Government Code.

39 (3) This subdivision does not apply to a member who retires
40 from a district, or is receiving a disability allowance and the

1 member was last employed in a district, that either as of January
2 1, 2001, had no members who were less than 58 years of age and
3 who were hired prior to April 1, 1986, or was created pursuant to
4 a formation or a reorganization on or after April 1, 1986, and prior
5 to January 1, 2001.

6 (e) The amount paid to the federal Centers for Medicare and
7 Medicaid Services or a successor agency pursuant to this section
8 shall include any surcharges applicable to enrollment in Medicare
9 Part A or Part B by members who retired prior to January 1, 2001,
10 and who enrolled in Medicare Parts A and B after the age of 65
11 years and prior to July 1, 2001. If the system pays the Part A
12 premium and Part B surcharges on behalf of a member and that
13 member later becomes eligible for Part A coverage without
14 payment of a premium, the system shall continue to pay any
15 applicable Part B surcharges on behalf of that member. The board
16 may require a member on whose behalf a surcharge would be paid
17 pursuant to this subdivision to authorize the system to deduct the
18 Part B premium from the member's retirement allowance as a
19 condition of having the system pay the Part A premium pursuant
20 to this section.

21 (f) For the purposes of this section, if a retirement date is used
22 to determine eligibility pursuant to subdivisions (b) and (c), the
23 system shall use the member's most recent retirement date for
24 eligibility purposes.

25 SEC. 55. Section 26911 of the Education Code is amended to
26 read:

27 26911. If a participant who is receiving a disability annuity
28 under this part becomes reemployed to perform creditable service
29 subject to coverage by the Cash Balance Benefit Program or the
30 Defined Benefit Program, the disability annuity shall be terminated.
31 The participant's employee account and employer account shall
32 be credited with the actuarial equivalent of the participant's annuity
33 as of the date of reemployment and the Annuitant Reserve shall
34 be reduced by the amount credited to those accounts.

35 SEC. 56. Any section of any other act enacted by the
36 Legislature during the 2013 calendar year that takes effect on or
37 before January 1, 2014, and that amends, amends and renumbers,
38 adds, repeals and adds, or repeals a section that is amended,
39 amended and renumbered, added, repealed and added, or repealed
40 by this act, shall prevail over this act, whether that act is enacted

1 prior to or subsequent to the enactment of this act. The repeal, or
2 repeal and addition, of any article, chapter, part, title, or division
3 of any code by this act shall not become operative if any section
4 of any other act that is enacted by the Legislature during the 2013
5 calendar year and takes effect on or before January 1, 2014,
6 amends, amends and renumbers, adds, repeals and adds, or repeals
7 any section contained in that article, chapter, part, title, or division.

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