

**Assembly Bill No. 1379**

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Passed the Assembly September 6, 2013

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*Chief Clerk of the Assembly*

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Passed the Senate September 3, 2013

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*Secretary of the Senate*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2013, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

CHAPTER \_\_\_\_\_

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, 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 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.

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

SECTION 1. Section 22007.5 of the Education Code is amended to read:

22007.5. Except as excluded by subdivision (d) of Sections 22661 and 23812, subdivision (e) of Section 24300.1, subdivision (d) of Section 25011.1, subdivision (c) of Section 25018.1, subdivision (d) of Section 26807.5, and subdivision (c) of Section 26906.5, a person who is the registered domestic partner of a member, as established pursuant to Section 297 or 299.2 of the

Family Code, shall be treated in the same manner as a “spouse,” as defined in Section 22171.

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

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

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

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

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

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

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

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

(f) This section shall apply to the following:

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

(A) Section 22714.

(B) Section 22715.

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

(D) Section 22826.

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

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

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

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

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

(1) All teachers and substitute teachers in positions requiring certification qualifications who spend, during the last 10 years of their employment with the same employer which immediately precedes their retirement, 60 percent or more of their contract time each year providing direct instruction. For the purpose of determining continuity of employment within the meaning of this subdivision, an authorized leave of absence for sabbatical or illness or other collectively bargained or employer-approved leaves shall not constitute a break in service.

(2) Other certificated personnel who spend, during the last 10 years of their employment with the same employer that immediately precedes their retirement, 60 percent or more of their contract time each year providing direct services to pupils, including, but not limited to, librarians, counselors, nurses, speech therapists, resource specialists, audiologists, audiometrists, hygienists, optometrists, psychologists, driver safety instructors,

and personnel on special assignment to perform school attendance and adjustment services.

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

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

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

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

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

(5) Classified employees.

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

(f) The written agreement shall include a mechanism to pay for all increases in allowances provided for by this section through employer contributions or employee contributions or both, which shall be collected and retained by the employer in a trust fund to be used solely and exclusively to pay the system for all increases in allowances provided by this section and related administrative costs; and a mechanism for disposition of the employee’s contributions if employment is terminated before retirement, and for the establishment of a trust fund board. The trust fund board shall administer the trust fund and shall be composed of an equal number of members representing classroom teachers chosen by the bargaining agent and the employer. If the employer agrees to pay the total cost of increases in allowances, the establishment of a trust fund and a trust fund board shall be optional to the employer. The employer, within 30 days of receiving an invoice from the system, shall reimburse the retirement fund the amount determined

by the Teachers' Retirement Board to be the actuarial equivalent of the difference between the allowance the member or beneficiary receives pursuant to this section and the allowance the member or beneficiary would have received if the member's final compensation had been computed under Section 22134 and the proportionate share of the cost to the plan's Defined Benefit Program, as determined by the Teachers' Retirement Board, of administering this section. The payment shall include the cost of all increases in allowances provided for by this section for all years of service credited to the member as of the benefit effective date. Interest shall be charged at the regular interest rate for any payment not received within 30 days of receipt of the invoice. Payments not received within 30 days after receipt of the invoice may be collected pursuant to Section 23007.

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

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

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

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

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

(1) An employee of an employer.

(2) An employee of a third party, except as specified in subdivision (b).

(3) An independent contractor.

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

(1) The employee performs an assignment of 24 months or less.

(2) The third-party employer does not participate in a California public pension system.

(3) The activities performed by the individual are not normally performed by employees of an employer, as defined in Section 22131.

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

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

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

22303. (a) Due to an increase in the demand for retirement counseling services, the system, notwithstanding any other provision of law, may contract with a county superintendent or other employer to provide retirement counseling. Retired public employees may be employed on a part-time basis for that purpose, unless and until the study required by subdivision (b) of Section 7 of Chapter 1532 of the Statutes of 1985 recommends against the employment of retired public employees for these purposes. This authorization is subject to the availability of funds appropriated for that purpose in the annual Budget Act.

(b) The board may, by resolution, designate one or more official representatives who provide retirement counseling pursuant to subdivision (a), or as an employee of the system, to receive documents submitted pursuant to this part, Part 13.5 (commencing with Section 25900), or Part 14 (commencing with Section 26000). Notwithstanding any other provision of law, any document received

by a designated system representative during regular counseling office business hours or in the course of performing counseling services pursuant to this subdivision shall be deemed to have been received by the system's headquarters office on the date received by the officially designated system representative.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) The nonmember spouse shall inform the system in writing of his or her intent to purchase additional service credit within 180 days after the date the judgment or court order addressing the right

of the nonmember spouse to purchase additional service credit is entered. The nonmember spouse shall elect to purchase additional service credit on a form provided by the system within 30 days after the system mails an election form and billing.

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

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

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

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

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

(d) The nonmember spouse does not have a right to purchase additional service credit under this part after the effective date of a refund of the accumulated retirement contributions in the separate account of the nonmember spouse.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Age at Retirement	Percentage
60¼ .....	2.033
60½ .....	2.067
60¾ .....	2.10
61 .....	2.133
61¼ .....	2.167
61½ .....	2.20
61¾ .....	2.233
62 .....	2.267
62¼ .....	2.30
62½ .....	2.333
62¾ .....	2.367
63 and over .....	2.40

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

(5) Final compensation, for purposes of calculating the service retirement allowance of the nonmember spouse under this subdivision, shall be calculated according to the definition of final compensation in Section 22134, 22134.5, 22135, or 22136, whichever is applicable, and shall be based on the member’s compensation earnable up to the date the parties separated, as established in the judgment or court order pursuant to Section 22652. The nonmember spouse shall not be entitled to use any other calculation of final compensation.

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

(1) A retirement benefit shall be a lump-sum payment, or an annuity payable in monthly installments, or a combination of both a lump-sum payment and an annuity, as elected by the nonmember

spouse on the application for a retirement benefit. A retirement benefit paid as an annuity under this chapter shall be subject to Sections 22660, 25011, and 25011.1.

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

(e) If the member is or was receiving a disability allowance under this part with an effective date before or on the date the parties separated as established in the judgment or court order pursuant to Section 22652, or at any time applies for and receives a disability allowance with an effective date that is before or coincides with the date the parties separated as established in the judgment or court order pursuant to Section 22652, the nonmember spouse shall not be eligible to retire until after the disability allowance of the member terminates. If the member who is or was receiving a disability allowance returns to employment to perform creditable service subject to coverage under the Defined Benefit Program or has his or her allowance terminated under Section 24015, the nonmember spouse may not be paid a retirement allowance until at least six months after termination of the disability allowance and the return of the member to employment to perform creditable service subject to coverage under the Defined Benefit Program, or the termination of the disability allowance and the employment or self-employment of the member in any capacity, notwithstanding Section 22132. If at the end of the six-month period, the member has not had a recurrence of the original disability or has not had his or her earnings fall below the amounts described in Section 24015, the nonmember spouse may be paid a retirement allowance if all other eligibility requirements are met.

(1) The retirement allowance of the nonmember spouse under this subdivision shall be calculated as follows: the disability allowance the member was receiving, exclusive of the portion for dependent children, shall be divided between the share of the member and the share of the nonmember spouse. The share of the nonmember spouse shall be the amount obtained by multiplying the disability allowance, exclusive of the portion for dependent children, by the years of service credited to the separate account of the nonmember spouse, including service projected to the date of separation, and dividing by the projected service of the member.

The nonmember spouse's retirement allowance shall be the lesser of the share of the nonmember spouse under this subdivision or the retirement allowance under subdivision (c).

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

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

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

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

(b) The amount of service credit to be granted shall be determined by dividing the number of days of accumulated and unused sick leave days by the number of days of service the employer requires the member's class of employees to perform in a school year during the member's final year of creditable service subject to coverage by the Defined Benefit Program, which shall not be less than the minimum standard specified in Section 22138.5. The number of days shall not include school and legal holidays. In no event shall the divisor be less than 175. For members employed less than full time, the standards identified in Section 22138.5 shall be considered as the minimum full-time equivalent. For those standards identified in Section 22138.5 that

are applicable to teachers or instructors and that are expressed only in terms of hours or instructional hours, the number of hours or instructional hours shall be divided by six to determine the number of days.

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

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

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

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

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

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

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

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

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

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

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

(c) If the member is not employed to perform creditable service subject to coverage by the Defined Benefit Program on the date of the request to purchase additional service credit, the contributions shall be based upon the compensation earnable in the last school year of credited service or either of the two immediately preceding school years, whichever is highest, and additional regular interest shall be added to the contributions from July 1 of the subsequent year in which the member last performed creditable service subject to coverage by the Defined Benefit Program to 20 days after the date of the request.

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

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

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

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

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

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

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

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

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

(d) Any payment that a member may make to the system to obtain credit for out-of-state service shall be paid in full before a

member or beneficiary may receive any adjustment in the appropriate allowance due date because of that payment.

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

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

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

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

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

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

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

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

(b) If the member has elected on a form provided by the system to transfer all or a specified portion of the accumulated retirement contributions that are eligible for direct trustee-to-trustee transfer to the trustee of a qualified plan under Section 402 of the Internal

Revenue Code of 1986 (26 U.S.C. Sec. 402), deposit in the United States mail of a notice that the requested transfer has been made constitutes a return of the member's accumulated retirement contributions under this part.

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

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

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

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

(b) An election to redeposit accumulated retirement contributions returned to the member shall be considered as an election to repay accumulated retirement contributions previously returned, up to but not exceeding the amount required to restore the total service credit returned, under the provisions of this chapter.

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

(d) If the election is canceled, the member may at any time prior to the effective date of retirement under this part, again elect to redeposit accumulated retirement contributions previously

withdrawn or returned, in accordance with Section 23200 and all the laws, rules, and regulations pertaining thereto.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) If the member is employed to perform creditable service subject to coverage under the Defined Benefit Program at the time the disability allowance is approved under this part, the member shall notify the system in writing, within 90 days, of the last day

on which the member will perform service. If the member does not respond within 90 days, or if the last day on which service will be performed is more than 90 days after the date the system notifies the member of approval of the disability allowance, the member's application for a disability allowance shall be rejected and a disability allowance shall not be payable to the member.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) (A) Except as described in subparagraph (B), a member who applies for service retirement under this section shall not receive service credit for each day of accumulated and unused

leave of absence for illness or injury or for education pursuant to Section 22717 or 22717.5.

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

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

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

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

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

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

(c) A member may not cancel his or her application for disability prior to a determination of that application unless he or she submits a written request to the system's headquarters office. If a member elects to cancel his or her service retirement application or elects to terminate his or her service retirement allowance as described in subdivision (b), that election shall not cancel the application for disability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Section 22714.

(2) Section 22715.

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

(4) Section 22717.5.

(c) For purposes of establishing eligibility for the increased allowance pursuant to this section only, credited service shall include credited service that a court has ordered be awarded to a nonmember spouse pursuant to Section 22652. A nonmember spouse shall also be eligible for the increased allowance pursuant to this section if the member had 30 or more years of credited service on the date the parties separated, as established in the judgment or court order pursuant to Section 22652.

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

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

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

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

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

(A) Section 22714.

(B) Section 22715.

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

(D) Section 22717.5.

(E) Section 22826.

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

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

30 years of credited service .....	\$200
31 years of credited service .....	\$300
32 or more years of credited service .....	\$400

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

(1) The member is eligible for the allowance increase pursuant to subdivisions (a) and (b) upon his or her retirement for service.

(2) On the date the parties separated, as established in the judgment or court order pursuant to Section 22652, the member had at least 30 years of credited service, excluding service credited pursuant to the following:

(A) Section 22714.

(B) Section 22715.

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

(D) Section 22717.5.

(E) Section 22826.

(3) The service credit of the member was divided into separate accounts in the name of the member and the nonmember spouse by a court pursuant to Section 22652. The amount identified in the schedule in subdivision (b) and payable pursuant to this section, that is based on the service credited during the marriage, shall be divided and paid to the member and the nonmember spouse proportionately according to the respective percentages of the member's service credit that were allocated to the member and the nonmember spouse in the court's order.

(d) The allowance increase provided under this section is not subject to Sections 24415 and 24417, but is subject to Section 22140.

SEC. 26. Section 24204 of the Education Code is amended to read:

24204. (a) A service retirement allowance under this part shall become effective upon any date designated by the member, provided all of the following conditions are met:

(1) An application for service retirement allowance is filed on a form provided by the system, which is executed no earlier than six months before the effective date of retirement allowance.

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

(3) The effective date is no earlier than one day after the date on which the retirement allowance was terminated under Section 24208.

(4) The effective date is no earlier than one year following the date on which the retirement allowance was terminated under subdivision (a) of Section 24117.

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

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

(b) A member who files an application for service retirement may change or cancel his or her retirement application, as long as

the form provided by the system is received in the system's headquarters office no later than 30 days from the date the member's initial benefit payment for the member's most recent retirement under the Defined Benefit Program is paid by the system. If a member cancels his or her retirement application, the member shall return the total gross distribution amount of all payments for the canceled retirement benefit to the system's headquarters office no later than 45 days from the date of the member's initial benefit payment and shall be liable for any adverse tax consequences that may result from these actions.

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

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

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

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

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

(2) The effective date of the termination of the retirement allowance is no earlier than the first day of the month in which the request for termination is received in the system's headquarters office or no earlier than one day after the benefit effective date of the most recent retirement, whichever is later.

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

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

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

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

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

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

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

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

(b) If the total amount of credited service, other than that accrued pursuant to Sections 22714, 22715, 22717, 22717.5, and 22826, is equal to or greater than 30 years, the amounts identified in paragraphs (1), for members who initially retired on or after January 1, 1999, and (2) of subdivision (a) shall be calculated pursuant to Section 24203.5.

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

(1) An amount based on the service credit accrued prior to the effective date of the disability allowance, the member's age at the

prior retirement increased by the factor provided in Section 24203.5, and projected final compensation.

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

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

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

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

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

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

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

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

(A) An amount calculated pursuant to this chapter based on service credit accrued prior to the effective date of the disability retirement, using the member's age at the subsequent service retirement, from which age shall be deducted the total time during

which the member was retired for service, and indexed final compensation to the effective date of the initial service retirement.

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

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

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

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

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

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

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

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

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

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

(A) An amount calculated pursuant to this chapter based on the member's projected service credit, excluding service credited pursuant to Section 22717, 22717.5, or Chapter 14 (commencing with Section 22800) or Chapter 14.2 (commencing with Section 22820) or Chapter 19 (commencing with Section 23200), using the member's age at the subsequent service retirement, from which age shall be deducted the total time during which the member was retired for service, and final compensation using compensation earnable or projected final compensation or a combination of both.

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

(C) An amount based on any service credited pursuant to Chapter 14 (commencing with Section 22800) or Chapter 14.2 (commencing with Section 22820) or Chapter 19 (commencing with Section 23200) or, for credited service performed during the

most recent reinstatement, Section 22714, 22715, 22717, or 22717.5, using the member's age at the subsequent service retirement, from which age shall be deducted the total time during which the member was retired for service, and final compensation using compensation earnable, or projected final compensation, or a combination of both.

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

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

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

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

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

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

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

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

(a) Less than three years of creditable service after termination of the disability allowance, the member shall receive a retirement allowance which is the sum of the allowance calculated on service

credit accrued after the termination date of the disability allowance, the age of the member on the last day of the month in which the retirement allowance begins to accrue, and final compensation using compensation earnable or projected final compensation, or a combination of both, plus the greater of either of the following:

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

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

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

(1) A service retirement allowance calculated on all actual and projected service excluding service credited pursuant to Sections 22717 and 22717.5 or Chapter 14 (commencing with Section 22800) or Chapter 14.2 (commencing with Section 22820) or Chapter 19 (commencing with Section 23200), the age of the member on the last day of the month in which the retirement allowance begins to accrue, and final compensation using compensation earnable, or projected final compensation, or a combination of both.

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

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

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

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

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

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

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

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

24213. (a) When a member who has been granted a disability allowance under this part after June 30, 1972, attains normal retirement age, or at a later date when there is no dependent child, the disability allowance shall be terminated and the member shall be eligible for service retirement. The retirement allowance shall be calculated on the projected final compensation and projected service to normal retirement age, excluding service credited

pursuant to Section 22717 or 22717.5, or Chapter 14 (commencing with Section 22800) or Chapter 14.2 (commencing with Section 22820). The allowance payable under this section, excluding annuities payable from accumulated annuity deposit contributions, shall not be greater than the terminated disability allowance. The allowance shall be increased by an amount based on any service credited pursuant to Section 22714, 22715, 22717, or 22717.5, or Chapter 14 (commencing with Section 22800), Chapter 14.2 (commencing with Section 22820), or Chapter 19 (commencing with Section 23200) and projected final compensation to normal retirement age.

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

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

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

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

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

(b) If the member has attained normal retirement age at the time the compensation is earned, subdivision (a) shall not apply and Section 24214 shall apply if the appointment has been approved by the governing body of the employer in a public meeting, as reflected in a resolution adopted by the governing body of the employer prior to the performance of retired member activities, expressing its intent to seek an exemption from the limitation specified in subdivision (a). Approval of the appointment may not be placed on a consent calendar. Notwithstanding any other provision of Article 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code or any state or federal law incorporated by subdivision (k) of Section 6254 of the Government Code, the resolution shall be subject to disclosure by

the entity adopting the resolution and the system. The resolution shall include the following specific information and findings:

- (1) The nature of the employment.
  - (2) A finding that the appointment is necessary to fill a critically needed position before 180 calendar days have passed.
  - (3) A finding that the member is not ineligible for application of this subdivision pursuant to subdivision (d).
  - (4) A finding that the termination of employment of the retired member with the employer is not the basis for the need to acquire the services of the member.
- (c) Subdivision (b) shall not apply to a retired member whose termination of employment with the employer is the basis for the need to acquire the services of the member.
- (d) Subdivision (b) shall not apply if the member received additional service credit pursuant to Section 22714 or 22715 or received from any public employer any financial inducement to retire.
- (e) The Superintendent, the county superintendent of schools, or the chief executive officer of a community college shall submit all documentation required by the system to substantiate the eligibility of the retired member for application of subdivision (b), including, but not limited to, the resolution adopted pursuant to that subdivision.
- (f) If a member will be receiving compensation for performance of retired member activities before 180 calendar days after the most recent retirement, the Superintendent, the county superintendent of schools, or the chief executive officer of a community college shall submit all documentation required by the system that certifies that the member did not receive from any public employer any financial inducement to retire.
- (g) The documentation required by this section shall be received by the system prior to the retired member's performance of retired member activities.
- (h) Within 30 calendar days after the receipt of all documentation required by the system pursuant to this section, the system shall inform the entity seeking application of the exemption specified in subdivision (b), or seeking to employ a retired member pursuant to subdivision (f), and the retired member whether the compensation paid to the member will be subject to the limitation specified in subdivision (a).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) If the system is unable to mail an acknowledgment notice to the member on or before June 1, 2007, or prior to the end of the election period, provided that the member and the option beneficiary are alive and not afflicted with a known terminal illness, the system shall allow a member to cancel the election to change options and elect to receive the benefit according to the preexisting option election. After cancellation, the member may elect to make a one-time change from the preexisting option to any other option provided by and subject to the restrictions of paragraph (1), (2), (3), or (4) of subdivision (a). The cancellation or the cancellation and one-time change may be made after the end of the election period if it is made on a properly executed form provided by the system and is received at the system's headquarters office no later than 30 days following the date of the acknowledgment notice. If the member elects to make the one-time

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

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

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

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

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

(b) For purposes of this section, the member shall either elect to receive an unmodified allowance or designate an option beneficiary on a properly executed form prescribed by the system, either of which shall be filed with the system on or before the last day of the month in which the member's disability retirement is approved by the system. The option shall become effective on the effective date of the disability retirement allowance. The modification of the disability retirement allowance under the option elected shall be based on the ages of the retired member and the designated option beneficiary as of the effective date of the disability retirement. The modification shall be applicable only to the disability retirement allowance payable pursuant to subdivision (a) of Section 24106.

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

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

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

24306.5. (a) A member who retired for service under Option 2 or Option 3 with an effective date prior to January 1, 1991, may

elect to change Option 2 to Option 6 or Option 3 to Option 7 under all of the following conditions:

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

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

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

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

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

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

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

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

24306.7. (a) Any member who retired for service under Option 4 or Option 5 with an effective date prior to January 1, 1991, may elect to change Option 4 to Option 6 or Option 5 to Option 7 if all of the following conditions are met:

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

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

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

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

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

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

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

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

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

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

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

(1) The form includes the signature of the member's spouse or registered domestic partner, if applicable, the signature is dated, and the date of the signature is within 30 days of the member's signature.

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

(b) A member who makes a preretirement election of an Option 2, Option 3, Option 4, Option 5, Option 6, or Option 7 pursuant to Section 24300, or an election as described in paragraph (1), (2), or (3) of Section 24300.1 may subsequently make a preretirement election of the compound option described in paragraph (4) of subdivision (a) of Section 24300.1. The member may retain the same option and the same option beneficiary as named in the prior

preretirement election for a designated percentage within the compound option.

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

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

(e) The amount of the service retirement allowance prior to applying the option factor shall be calculated as of the earlier of the member's age at death before retirement or age on the last day of the month in which the member requested service retirement be effective. The modification of the service retirement allowance by the option elected shall be based on the ages of the member and the beneficiary designated under the option, as of the date the election was signed.

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) If the member elects to change his or her option under this section then the member shall retain the same option and the same option beneficiary as named in the prior preretirement election of an option as one of the options under Option 8. The election to change the preretirement election under this section shall be void if not received in the system's headquarters office at least 30 days prior to the death of the option beneficiary.

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

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

24312.1. (a) A member who has a preretirement election of an option in effect on December 31, 2006, pursuant to paragraphs (1) to (6), inclusive, of subdivision (a) of Section 24300 may change his or her preretirement election to an option described in paragraph (1), (2), or (3) of subdivision (a) of Section 24300.1 without the allowance reduction described in Sections 24309 and

24310, provided the change is made on or after January 1, 2007, and prior to July 1, 2007.

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

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

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

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

(d) If the member elects to change options as described in this section, the age of the member and the option beneficiary on the effective date of the prior preretirement option election shall be the age used to calculate the member's benefit at the time of retirement.

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

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

(b) If the disability allowance effective date is used pursuant to subdivision (a), then the original disability allowance the member was eligible to receive on that date shall be used for the purpose

of determining postretirement benefit increases. This subdivision shall not apply to an action filed in superior court before January 1, 2014.

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

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

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

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

(b) The net revenues to be distributed shall be allocated among those retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107, whose allowances, after sequentially applying the annual improvement factor as defined in Sections 22140 and 22141, and the annual supplemental payment as specified in Section 24412, have the lowest purchasing power percentage. The purchasing power calculation for each individual shall be based on the change in the All Urban California Consumer Price Index between June of the calendar year of retirement and June of the fiscal year preceding the fiscal year of distribution. In any year in which the purchasing power of the allowances of all retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107, equals not less than 85 percent and additional funds remain from the allocation authorized by this section, those funds shall remain in the Supplemental Benefit Maintenance Account for allocation in future years.

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

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

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

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

(g) Notwithstanding subdivision (b), for purposes of restoring the purchasing power of benefits provided pursuant to Sections 24410.6 and 24410.7 for members and beneficiaries receiving benefits pursuant to subdivision (b), the purchasing power calculation shall be based on 85 percent of the change in the All Urban California Consumer Price Index between January 2001 and June of the fiscal year preceding the fiscal year of distribution, after the application of increases authorized by Section 24412 that are made to the allowances provided pursuant to Sections 24410.6 and 24410.7.

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

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

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

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

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

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

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

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

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

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

(3) If the system has received a written request from any member, nonmember spouse, or beneficiary under this part, the system shall mail a copy of the monthly benefit payment information to that person.

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

(f) A payment disbursed as specified by the member, nonmember spouse, or beneficiary under this part shall fully

discharge the board, system, and plan from any claim resulting from actions taken under this section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) The member designates the same beneficiary that was designated under the prior annuity election by the member, if the

annuity and annuity designation was effective on December 31, 2006.

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

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

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

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

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

(e) If the system is unable to mail an acknowledgment notice to the member on or before June 1, 2007, or prior to the end of the election period, provided that the member and the annuity beneficiary are alive and not afflicted with a known terminal illness, the system shall allow a member to cancel the election to change annuities and elect to receive the benefit according to the preexisting annuity election. After cancellation, the member may elect to make a one-time change from the preexisting annuity to any other annuity provided by and subject to the restrictions of

paragraph (1), (2), (3), or (4) of subdivision (a). The cancellation or the cancellation and one-time change may be made after the end of the election period if it is made on a properly executed form provided by the system and is received at the system's headquarters office no later than 30 calendar days following the date of mailing of the acknowledgment notice. If the member elects to make the one-time change provided by this subdivision, the change shall be effective as of the member's signature date on the initial election to change.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

effective as of the member's signature date on the initial election to change.

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

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

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

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

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

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

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

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

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

(2) If the beneficiary is designated pursuant to Section 23301, the remaining balance of period certain annuity payments shall be made in a lump-sum payment equal to the present value of the

balance of payments due over the time remaining in the period originally elected by the deceased member.

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

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

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

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

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

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

(3) A disclosure of all expenses paid directly or indirectly by retirement plan participants, including, but not limited to, penalties for early withdrawals, declining or fixed withdrawal charges, surrender or deposit charges, management fees, and annual fees, supported by documentation as required for prospectus disclosure by the Financial Industry Regulatory Authority and the Securities and Exchange Commission. Vendors shall be required to provide information regarding the impact of product fees upon a hypothetical investment, as described in Section 25104.

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

(5) A discussion of the ability, experience, and commitment of the vendor to provide retirement counseling and education services,

including, but not limited to, access to group meetings and individual counseling by various means, including telephone and telecommunications devices for the deaf (TDD), Internet, and face-to-face consultations by registered representatives.

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

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

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

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

(10) A discussion of the range of administrative and customer services provided, including asset allocation, accounting and administration of benefits for individual participants, recordkeeping for individual participants, asset purchase, control, and safekeeping, execution of a participant's instructions as to asset and contribution allocation, calculation of daily net asset values, direct access for participants to their account information, periodic reporting to active participants, not less than quarterly, on their account balances and transactions, and compliance with the standard of care applicable in the provision of investment services and consistent with federal law.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) The board may extend eligibility for the payments described in this section to members of the Defined Benefit Program who meet the requirements of subdivision (d) and who retire or begin receiving a disability allowance on or after January 1, 2001, within a school year specified by the board, if the board finds that the cost of the payments for members who retire or begin receiving a disability allowance during the specified school year may be paid within the anticipated resources available in the fund, as determined by the actuarial valuation of the program established by this chapter. Any extension of eligibility to members who retire or begin receiving a disability allowance on or after January 1, 2001, shall be provided equally to any member who meets the requirements of subdivision (d) and retires or begins receiving a disability allowance during the school year specified by the board.

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

(A) Retires from an employer that does either of the following:  
(i) Completed a division pursuant to Section 22156 of the Government Code prior to January 1, 2001.

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

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

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

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

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

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

(3) This subdivision does not apply to a member who retires from a district, or is receiving a disability allowance and the member was last employed in a district, that either as of January 1, 2001, had no members who were less than 58 years of age and who were hired prior to April 1, 1986, or was created pursuant to a formation or a reorganization on or after April 1, 1986, and prior to January 1, 2001.

(e) The amount paid to the federal Centers for Medicare and Medicaid Services or a successor agency pursuant to this section shall include any surcharges applicable to enrollment in Medicare Part A or Part B by members who retired prior to January 1, 2001, and who enrolled in Medicare Parts A and B after the age of 65 years and prior to July 1, 2001. If the system pays the Part A premium and Part B surcharges on behalf of a member and that

member later becomes eligible for Part A coverage without payment of a premium, the system shall continue to pay any applicable Part B surcharges on behalf of that member. The board may require a member on whose behalf a surcharge would be paid pursuant to this subdivision to authorize the system to deduct the Part B premium from the member's retirement allowance as a condition of having the system pay the Part A premium pursuant to this section.

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

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

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

SEC. 56. Any section of any other act enacted by the Legislature during the 2013 calendar year that takes effect on or before January 1, 2014, and that amends, amends and renumbers, adds, repeals and adds, or repeals a section that is amended, amended and renumbered, added, repealed and added, or repealed by this act, shall prevail over this act, whether that act is enacted prior to or subsequent to the enactment of this act. The repeal, or repeal and addition, of any article, chapter, part, title, or division of any code by this act shall not become operative if any section of any other act that is enacted by the Legislature during the 2013 calendar year and takes effect on or before January 1, 2014, amends, amends and renumbers, adds, repeals and adds, or repeals any section contained in that article, chapter, part, title, or division.





























Approved \_\_\_\_\_, 2013

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*Governor*