

Senate Bill No. 1353

CHAPTER 350

An act to amend Section 22955.1 of the Education Code, relating to state teachers' retirement.

[Approved by Governor September 14, 2016. Filed with
Secretary of State September 14, 2016.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1353, Pan. State Teachers' Retirement System: funding.

Existing law, the Teachers' Retirement Law, establishes the State Teachers' Retirement System and creates the Defined Benefit Program of the State Teachers' Retirement Plan, which provides a defined benefit to members of the program, based on final compensation, credited service, and age at retirement, subject to certain variations. The Defined Benefit Program is funded by employer and employee contributions, investment returns, and state appropriations, which are deposited or credited to the Teachers' Retirement Fund. Existing law prescribes methods for calculating the amounts of employer and employee contributions as well as state appropriations for support of the system. For the 2017–18 fiscal year, and each fiscal year thereafter, existing law requires the board to increase or decrease certain percentages relating to the state appropriation to reflect the contribution required to eliminate the unfunded actuarial obligation of the system. Existing law prohibits these requirements from being construed as applicable to any unfunded actuarial obligation resulting from any benefit increase or change in member or employer contribution rate under this part that occurs after July 1, 1990.

This bill would qualify this prohibition to clarify that specified state contributions made in this regard be allocated to reduce any unfunded actuarial obligation resulting from the benefits and contribution rates in effect as of July 1, 1990.

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

SECTION 1. Section 22955.1 of the Education Code is amended to read:
22955.1. (a) Notwithstanding Section 13340 of the Government Code, commencing July 1, 2003, a continuous appropriation is hereby annually made from the General Fund to the Controller, pursuant to this section, for transfer to the Teachers' Retirement Fund. The total amount of the appropriation for each year shall be equal to 2.017 percent of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based, as

reported annually to the Director of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Legislative Analyst pursuant to Section 22955.5, and shall be divided into four equal payments. The payments shall be made on, or the following business day after, July 1, October 1, December 15, and April 15 of each fiscal year.

(b) (1) Commencing July 1, 2014, the amount of the appropriation required under subdivision (a) shall increase by the following percentages of the creditable compensation upon which that appropriation is based:

(A) On July 1, 2014, by 1.437 percent.

(B) On July 1, 2015, by 2.874 percent.

(C) On July 1, 2016, by 4.311 percent.

(2) For fiscal year 2017–18 and each fiscal year thereafter, the board shall increase or decrease the percentage specified in this subdivision from the percentage paid during the prior fiscal year to reflect the contribution required to eliminate the remaining unfunded actuarial obligation, as determined by the board based upon a recommendation from its actuary. If a rate increase is required, the adjustment may be for no more than 0.50 percent per year of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based. At any time when there is not an unfunded actuarial obligation as determined by the board, the percentage specified in this subdivision shall be reduced to zero.

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

(d) This section continues in effect but in a somewhat different form, fully performs, and does not in any way unreasonably impair, the contractual obligations determined by the court in *California Teachers' Association v. Cory*, 155 Cal.App.3d 494.

(e) Subdivision (b) shall not be construed to be applicable to any unfunded actuarial obligation resulting from any benefit increase or change in contribution rate under this part that occurs after July 1, 1990, except that state contributions made pursuant to subdivision (b) shall be allocated to reduce the unfunded actuarial obligation resulting from the benefits and contribution rates in effect as of July 1, 1990.

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

(g) (1) Except as described in paragraph (2), this section shall become inoperative on July 1, 2046, and as of January 1, 2047, is repealed.

(2) Notwithstanding paragraph (1), on July 1 of the first fiscal year after a 30-day notice has been sent to the Joint Legislative Budget Committee and the Controller in compliance with subdivision (d) of Section 22957,

this section shall become inoperative and, as of the following January 1, is repealed.

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