

AMENDED IN SENATE AUGUST 26, 1998  
AMENDED IN SENATE AUGUST 24, 1998  
AMENDED IN ASSEMBLY MAY 13, 1998  
AMENDED IN ASSEMBLY MAY 4, 1998  
AMENDED IN ASSEMBLY APRIL 28, 1998

CALIFORNIA LEGISLATURE—1997–98 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2804**

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**Introduced by Committee on Public Employees, Retirement  
and Social Security (Honda (Chair), Migden, Scott, Shelley,  
and Wildman)**

*(Principal coauthor: Senator Solis)*

**(Coauthors: Assembly Members ~~Bustamante and Knox~~ Baca,  
Bowler, Bustamante, Campbell, Cedillo, Cunneen,  
Ducheny, Knox, Ortiz, Prenter, Strom-Martin, and  
Villaraigosa)**

*(Coauthors: Senators Burton, Hughes, and Karnette)*

March 12, 1998

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An act to amend Sections 22951 and 22955 of, and to repeal Section 22952 of, the Education Code, relating to the State Teachers' Retirement System, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 2804, as amended, Committee on Public Employees, Retirement and Social Security. State Teachers' Retirement System: benefits.

(1) Existing law provides a continuous appropriation from the General Fund to the Teachers' Retirement Fund of an amount equal to 4.3% of the annual total creditable compensation for purposes of meeting certain obligations and benefit costs.

This bill would, change that appropriation on January 1, 1999, to 3.102% of the annual total creditable compensation. The bill would require another additional specified continuous annual appropriation to be made from the General Fund to the Teachers' Retirement Fund commencing on October 1, 1998, and require those funds to be first transferred to eliminate unfunded actuarial liabilities on or before June 30, 2027. The bill would require specified additional employer contributions to be paid on account of liabilities for sick leave credit benefits and would repeal provisions requiring additional employer contributions for specified retirement allowance increases. The bill would make legislative findings and declarations regarding the provisions.

(2) The bill would become operative only if AB 1102, AB 1150, and SB 1528 are both all enacted and become operative.

(3) The bill would declare that it is to take effect immediately as an urgency statute.

Vote: 2/3. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

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

1 SECTION 1. (a) The Legislature finds and declares  
2 that:

3 (1) There have been many recent research studies  
4 which indicate that in future years California will face a  
5 significant shortage of qualified teachers.

6 (2) It is in the best public policy interest of the people  
7 of California that the Legislature act aggressively to



1 insure that the conditions of employment for teachers are  
2 conducive to the growth of the work force.

3 (3) A substantive and sound retirement plan is a  
4 critical aspect of creating a stable and secure  
5 employment environment for the teaching profession.

6 (4) Since its inception the State Teachers' Retirement  
7 System has been in an underfunded status. While the  
8 State Teachers' Retirement System has been  
9 underfunded, there have been no significant increases in  
10 retirement benefits for teachers. Instead, teachers and  
11 other interested parties have worked in a collaborative  
12 effort with the Legislature to ensure that the system  
13 become fully funded.

14 (5) Pursuant to Section 22955 of the Education Code,  
15 the Legislature has required the General Fund to  
16 contribute 4.3 percent of prior year teacher payroll to be  
17 deposited in the Teachers' Retirement Fund for the  
18 purpose of accomplishing full funding of the State  
19 Teachers' Retirement System.

20 (6) A recent study by the State Teachers' Retirement  
21 System revealed that retirement benefits for California  
22 teachers lag behind those of other states.

23 (7) The most recent valuation by the State Teachers'  
24 Retirement System has indicated that the system is  
25 approaching full-funding and should reach that goal  
26 within the next three years.

27 (8) It is therefore appropriate that the Legislature  
28 continue to provide the funding designated by Section  
29 22955 of the Education Code to improve benefits for the  
30 past, present, and future members of the State Teachers'  
31 Retirement System to ensure the proper growth and  
32 stability of the teaching work force in the State of  
33 California.

34 (b) In enacting this act, it is the intent of the  
35 Legislature to:

36 (1) Provide California teachers with retirement  
37 benefits which are competitive with other states.

38 (2) Provide a final compensation benefit which best  
39 reflects the highest earnings of State Teachers'  
40 Retirement System members and is commensurate with



1 the benefit which is predominantly applicable to other  
2 public employees in the State of California.

3 (3) Provide a cost-of-living adjustment that is  
4 compounded annually.

5 (4) Provide appropriate early retirement incentives  
6 which allow workforce flexibility for school districts and  
7 options for teachers who desire to leave the profession  
8 early.

9 (5) Ensure that teachers who have devoted their lives  
10 to the education of the children of California receive  
11 health benefits upon retirement.

12 (6) Provide retirement options which encourage  
13 mature and experienced teaching professionals to  
14 continue their careers after normal retirement age.

15 SEC. 2. Section 22951 of the Education Code is  
16 amended to read:

17 22951. In addition to any other contributions required  
18 by this part, employers shall, on account of liability for  
19 benefits pursuant to Section 22717, contribute monthly to  
20 the Teachers' Retirement Fund 0.25 percent of the  
21 creditable compensation upon which members'  
22 contributions are based.

23 SEC. 3. Section 22952 of the Education Code is  
24 repealed.

25 SEC. 4. Section 22955 of the Education Code is  
26 amended to read:

27 22955. (a) Notwithstanding Section 13340 of the  
28 Government Code, commencing January 1, 1999, a  
29 continuous appropriation is hereby annually made from  
30 the General Fund to the Controller, pursuant to this  
31 section, for transfer to the Teachers' Retirement Fund.  
32 The total amount of the appropriation for each year shall  
33 be equal to 3.102 percent of the total of the creditable  
34 compensation of the immediately preceding calendar  
35 year upon which members' contributions are based, to be  
36 calculated annually on October 1, and shall be divided  
37 into four equal quarterly payments.

38 (b) Notwithstanding Section 13340 of the  
39 Government Code, commencing October 1, 1998, a  
40 continuous appropriation, in addition to the



1 appropriation made by subdivision (a), is hereby  
2 annually made from the General Fund to the Controller  
3 for transfer to the Teachers' Retirement Fund. The total  
4 amount of the appropriation for each year shall be equal  
5 to .524 percent of the total of the creditable compensation  
6 of the immediately preceding calendar year upon which  
7 members' contributions are based, to be calculated  
8 annually on October 1, and shall be divided into four  
9 equal quarterly payments. The percentage shall be  
10 adjusted to reflect the contribution required to fund the  
11 normal cost deficit—~~when~~ or the unfunded obligation—~~has~~  
12 ~~been deemed to be eliminated~~ *as determined* by the  
13 board based upon a recommendation from its actuary. If  
14 a rate increase—~~or decrease~~ is required, the adjustment  
15 may be for no more than 0.25 percent per year and in no  
16 case may the transfer made pursuant to this subdivision  
17 exceed 1.505 percent of the total of the creditable  
18 compensation of the immediately preceding calendar  
19 year upon which members' contributions are based. *At*  
20 *any time when there is neither an unfunded obligation*  
21 *nor a normal cost deficit, the percentage shall be reduced*  
22 *to zero.*

23 The funds transferred pursuant to this subdivision shall  
24 first be applied to eliminating on or before June 30, 2027,  
25 the unfunded actuarial liability in the fund identified in  
26 the actuarial valuation as of June 30, 1997.

27 (c) For the purposes of this section, the term "normal  
28 cost deficit" means the difference between the normal  
29 cost rate as determined in the actuarial valuation  
30 required by Section 22226 and the total of the member  
31 contribution rate required under Section 22804 and the  
32 employer contribution rate required under Section  
33 23400, and shall exclude (1) the portion for unused sick  
34 leave service granted pursuant to Section 22719, and (2)  
35 the cost of benefit increases which occur after July 1, 1990.  
36 The contribution rates prescribed in Section 22804 and  
37 Section 23400 on July 1, 1990, shall be utilized to make the  
38 calculations. The normal cost deficit shall then be  
39 multiplied by the total of the creditable compensation  
40 upon which member contributions are based to

1 determine the dollar amount of the normal cost deficit for  
2 the year.

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

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

13 (f) Subdivision (b) shall not be construed to be  
14 applicable to any unfunded liability resulting from any  
15 benefit increase or change in contribution rate that  
16 occurs after July 1, 1990.

17 (g) The amendments to this section during the  
18 1991-92 Regular Session shall be construed and  
19 implemented to be in conformity with the judicial intent  
20 expressed by the court in California Teachers' Association  
21 v. Cory, 155 Cal. App. 3d 494.

22 SEC. 5. This act shall become operative only if  
23 Assembly Bill 1102, *Assembly Bill 1150*, and Senate Bill  
24 1528 of the 1997-98 Regular Session of the Legislature are  
25 ~~both~~ *all* enacted and become operative.

26 SEC. 6. This act is an urgency statute necessary for the  
27 immediate preservation of the public peace, health, or  
28 safety within the meaning of Article IV of the  
29 Constitution and shall go into immediate effect. The facts  
30 constituting the necessity are:

31 In order for enhanced retirement benefits to be  
32 available to members of the State Teachers' Retirement  
33 System at the commencement of the school year, this act  
34 must take effect immediately.

