Assembly Bill No. 2804

CHAPTER 967

An act to amend Sections 22951 and 22955 of, and to repeal Section 22952 of, the Education Code, relating to public retirement systems, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor September 29, 1998. Filed with Secretary of State September 29, 1998.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2804, Committee on Public Employees, Retirement and Social Security. Public retirement systems: 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 July 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 all enacted and become operative.

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

Appropriation: yes.

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

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

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

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

employment for teachers are conducive to the growth of the work force.

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

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

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

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

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

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

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

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

(2) Provide a final compensation benefit which best reflects the highest earnings of State Teachers' Retirement System members and is commensurate with the benefit which is predominantly applicable to other public employees in the State of California.

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

(4) Provide appropriate early retirement incentives which allow work force flexibility for school districts and options for teachers who desire to leave the profession early.

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

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

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

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

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

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

22955. (a) Notwithstanding Section 13340 of the Government Code, commencing July 1, 1999, 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 3.102 percent of the total of the creditable compensation of the immediately preceding calendar year upon which members' contributions are based, to be calculated annually on October 1, and shall be divided into four equal quarterly payments.

(b) Notwithstanding Section 13340 of the Government Code, commencing October 1, 1998, a continuous appropriation, in addition to the appropriation made by subdivision (a), is hereby annually made from the General Fund to the Controller for transfer to the Teachers' Retirement Fund. The total amount of the appropriation for each year shall be equal to 0.524 percent of the total of the creditable compensation of the immediately preceding calendar year upon which members' contributions are based, to be calculated annually on October 1, and shall be divided into four equal quarterly payments. The percentage shall be adjusted to reflect the contribution required to fund the normal cost deficit or the unfunded 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 0.25 percent per year and in no case may the transfer made pursuant to this subdivision exceed 1.505 percent of the total of the creditable compensation of the immediately preceding calendar year upon which members' contributions are based. At any time when there is neither an unfunded obligation nor a normal cost deficit, the percentage shall be reduced to zero.

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

(c) For the purposes of this section, the term ''normal cost deficit'' means the difference between the normal cost rate as determined in the actuarial valuation required by Section 22226 and the total of the member contribution rate required under Section 22804 and the employer contribution rate required under Section 23400, and shall exclude (1) the portion for unused sick leave service granted pursuant to Section 22719, and (2) the cost of benefit increases which occur after July 1, 1990. The contribution rates prescribed in Section 22804 and Section 23400 on July 1, 1990, shall be utilized to make the calculations. The normal cost deficit shall then be multiplied by the total of the creditable compensation upon which member contributions are based to determine the dollar amount of the normal cost deficit for the year.

(d) Pursuant to Section 22001 and the case law, the 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.

(e) 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.

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

(g) The amendments to this section during the 1991–92 Regular Session 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.

SEC. 5. This act shall become operative only if Assembly Bill 1102, Assembly Bill 1150, and Senate Bill 1528 of the 1997–98 Regular Session of the Legislature are all enacted and become operative.

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

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

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