

AMENDED IN SENATE APRIL 14, 1997

SENATE BILL

No. 1026

Introduced by Senator Schiff

February 27, 1997

An act to amend Sections ~~22955, 24411, and 24415~~ of, to add Sections ~~22955.5 and 24411.5~~ to, and to repeal Sections ~~22954 and 24414~~ of, 22954, 24414, and 24415 of the Education Code, relating to retirement, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 1026, as amended, Schiff. Teachers' retirement benefits.

The State Teachers' Retirement Law requires the annual transfer to the Supplemental Benefit Maintenance Account from the General Fund of 2.5% of the total of prior year salaries upon which member contributions to the retirement system are based for funding supplemental benefits. *Existing law expresses legislative intent in establishing the Supplemental Benefit Maintenance Program, to manifest a contractually enforceable promise to fully repay the Teachers' Retirement Fund, with interest, for all the advances made therefrom and for any appropriation made in Item 1920-111-835 of the Budget Act of 1989 and otherwise reserves the right of the Legislature to reduce or terminate the state's contributions and supplemental benefit distributions.*

This bill would delete that provision and instead would increase the continuous appropriation from the General Fund to the Teachers' Retirement Fund of an additional 4.3% of the total salaries of the immediately preceding calendar year to

~~5.8%. The Controller, at the request of the State Teachers' Retirement Board, would be required to reduce that transfer whenever the board makes specified determinations respecting the level of supplemental benefits and unfunded obligation periods the reservation of the right of the Legislature to reduce or terminate the state's contributions and the distributions and would instead provide that it is the intent of the Legislature to guarantee the annual transfer of contributions.~~

Existing law provides that ~~annual cost-of-living adjustments for retired members, disabled members, and beneficiaries in excess of 2% may be included as a General Fund appropriation in the annual Budget Act and placed in the Retirees' Purchasing Power Protection Account the proceeds of the Supplemental Benefit Maintenance Account shall be distributed annually in quarterly supplemental payments to retired members, disabled members, and beneficiaries to restore purchasing power up to 68.2% of the purchasing power of their initial monthly allowances and requires the Teachers' Retirement Board to make annual transfers from the Teachers' Retirement Fund to the Supplemental Benefit Maintenance Account to fund that benefit.~~

~~This bill would instead provide that those adjustments may be provided by the board from the annual additional transfer from the General Fund. The bill would authorize the board to provide supplemental benefits whenever it determines that the Teachers' Retirement Fund will have no unfunded obligation after 30 years increase that percentage to 75% of purchasing power, would require the board to make retirement fund transfers that are necessary to fund the increased percentage, and would provide that the board reserves the right to reduce distributions to a level below 75% or to terminate distributions, depending upon availability of funds.~~

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.



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

1 ~~SECTION 1. Section 22954 of the Education Code is~~

2

3 *SECTION 1. Section 22954 of the Education Code is*
4 *amended to read:*

5 22954. (a) In addition to any other contributions
6 required by this part, on July 1, 1990, and on July 1 of each
7 subsequent year, the Controller, subject to Section 24414,
8 shall transfer, based on estimated payroll data provided
9 by the board, the following percentages of the total of the
10 prior year ~~salaries~~ *creditable compensation* upon which
11 members' contributions are based to the Supplemental
12 Benefit Maintenance Account in the Teachers'
13 Retirement Fund, for the purpose of funding the
14 supplemental payments authorized under Section 24415:

15

- 16 (1) For the fiscal year ending June 30, 1991 0.50%
- 17 (2) For the fiscal year ending June 30, 1992 1.00%
- 18 (3) For the fiscal year ending June 30, 1993 1.50%
- 19 (4) For the fiscal year ending June 30, 1994 2.00%
- 20 (5) For the fiscal year ending June 30, 1995, and each
21 fiscal each fiscal year thereafter 2.50%

22

23 These transfers shall be based upon estimated payroll
24 data provided to the Director of Finance by the board and
25 shall be adjusted in January of that same fiscal year to
26 reflect actual payroll data.

27 (b) The board may deduct from the annual state
28 contributions made pursuant to this section an amount
29 necessary for the administrative expenses to implement
30 Section 24415, subject to the annual Budget Act.

31 (c) Notwithstanding any other provision of law, it is
32 the intent of the Legislature, in establishing the
33 Supplemental Benefit Maintenance Program embodied
34 in this section and Sections 22400, 24414, and 24415, to
35 manifest a contractually enforceable promise to repay the
36 Teachers' Retirement Fund in full, with interest, as
37 provided in subdivision (b) of Section 24414, for all
38 transfers or advances made from the Teachers'



1 Retirement Fund pursuant to subdivision (a) of Section
2 24414 and for any funds appropriated by Item No.
3 1920-111-835 of the Budget Act of 1989 from the Teachers'
4 Retirement Fund to provide purchasing power
5 protection payments.

6 ~~(d) Except as provided in subdivision (e), the~~
7 ~~Legislature reserves the right to reduce or terminate the~~
8 ~~state's contributions to the Supplemental Benefit~~
9 ~~Maintenance Account in the Teachers' Retirement Fund~~
10 ~~provided by this section and to reduce or terminate the~~
11 ~~distributions required by Section 24415. It is intended that~~
12 ~~any legislative reduction or termination of the state's~~
13 ~~contributions to the Supplemental Benefit Maintenance~~
14 ~~Account in the Teachers' Retirement Fund provided by~~
15 ~~this section or any reduction or termination of~~
16 ~~distributions required by Section 24415, shall be~~
17 ~~effectuated by a separate statute rather than by the~~
18 ~~annual Budget Act.~~

19 *(d) It is the intent of the Legislature in revising during*
20 *the 1997-98 Regular Session the Supplemental Benefit*
21 *Maintenance Program embodied in this section, Sections*
22 *22400 and 24415, subdivision (b) of Section 44929, and*
23 *subdivision (b) of Section 87488 to guarantee the transfer*
24 *of contributions required by subdivision (a) of this*
25 *section.*

26 *SEC. 2. Section 24414 of the Education Code is*
27 *amended to read:*

28 24414. (a) Beginning in the 1989-90 fiscal year, and
29 until the first fiscal year in which the Supplemental
30 Benefit Maintenance Account established by Section
31 22400 derives sufficient resources from the General Fund
32 pursuant to Section 22954 to provide purchasing power of
33 ~~68.2~~ 75 percent as authorized by Section 24415, the board
34 shall transfer from the retirement fund to the
35 Supplemental Benefit Maintenance Account those funds
36 that are necessary to provide purchasing power of ~~68.2~~ 75
37 percent as authorized by Section 24415. This subdivision
38 shall become inoperative in the first fiscal year following
39 the joint determination by the board and the Director of
40 Finance that the funds scheduled for transfer from the



1 General Fund pursuant to Section 22954 to the
2 Supplemental Benefit Maintenance Account are
3 adequate to meet the purposes of Section 24415.

4 (b) The funds advanced pursuant to subdivision (a)
5 and any funds appropriated by Item 1920-111-835 of the
6 Budget Act of 1989 from the retirement fund to provide
7 purchasing power protection payments shall be repaid
8 from those funds transferred pursuant to Section 22954
9 that are in excess of the resources required to meet the
10 purposes of Section 24415. Repayment shall commence in
11 any year in which those excess funds exist and shall
12 continue until the time all funds advanced under this
13 section and any funds appropriated by Item 1920-111-835
14 of the Budget Act of 1989 from the retirement fund to
15 provide purchasing power protection payments are
16 repaid. Repayment shall include regular interest from the
17 time funds are advanced or appropriated until the time
18 of repayment. After full repayment is made, the Director
19 of Finance shall, notwithstanding Section 22954, adjust
20 the percentage of the General Fund transfer in the
21 amount which causes the balance in the account to equal
22 a three-year reserve at the end of the subsequent fiscal
23 year. The Director of Finance may base the adjusted rate
24 on data provided by the board for projected payments in
25 subject years, projected payroll, projected interest
26 accrual to the account, and any other factors deemed
27 relevant by the board.

28 (c) Notwithstanding Section 24415 or any other
29 provision of law, if the state's contributions to the
30 retirement fund provided by Section 22954 are, for any
31 reason whatsoever, reduced or terminated before the
32 retirement fund is fully repaid, as provided in subdivision
33 (b), for all advances or transfers made pursuant to
34 subdivision (a) and for any appropriations made by Item
35 1920-111-835 of the Budget Act of 1989 from the
36 retirement fund to provide purchasing power protection
37 payments, all duties of the board to make the advances or
38 transfers required by subdivision (a) and to make the
39 distributions required by Section 24415 shall immediately
40 cease and shall have no further force or effect.

1 ~~(d) It is the intent of the Legislature, in enacting the~~
2 ~~Supplemental Benefit Maintenance Program embodied~~
3 ~~in this section and Section 22400, subdivision (b) of~~
4 ~~Section 22954, Section 24415, subdivision (b) of Section~~
5 ~~44929, and subdivision (b) of Section 87488, not to~~
6 ~~manifest any promise, except as provided in subdivision~~
7 ~~(e) of Section 22954, that, when accepted, would create~~
8 ~~a contract, express or implied. Notwithstanding any other~~
9 ~~provision of this part~~ *Except as provided in subdivision*
10 *(b) of Section 22954 for the guarantee of contributions,*
11 *nothing in the sections establishing the Supplemental*
12 *Benefit Maintenance Program shall be construed as a*
13 *basis for any implied contractual obligation, or as an*
14 *element of exchange of consideration by a private party*
15 *for consideration offered by the state, or as an intent to*
16 *grant private rights of contract, or as conferring any*
17 *vested right whatsoever on any present or future*
18 *member, present or future annuitant, present or future*
19 *surviving spouse of a present or future member or a*
20 *present or future annuitant, dependent child or*
21 *dependent parent of a present or future member or a*
22 *present or future annuitant, or present or future*
23 *beneficiary of the plan, including the right to*
24 *distributions from the Supplemental Benefit*
25 *Maintenance Account at a level representing 75 percent*
26 *of the purchasing power of the initial allowance.*

27 (e) The board shall report annually to the Director of
28 Finance and the appropriate fiscal and policy committees
29 of the Legislature upon the benefits paid pursuant to
30 Section 24415 and all actions taken pursuant to Section
31 22954 and this section.

32 *SEC. 3. Section 24415 of the Education Code is*
33 *amended to read:*

34 24415. (a) The proceeds of the Supplemental Benefit
35 Maintenance Account shall, except as otherwise provided
36 by Section 24414, be distributed annually in quarterly
37 supplemental payments commencing on September 1,
38 ~~1990~~ 1997, to retired members, disabled members, and
39 beneficiaries. The amount available for distribution in
40 any fiscal year shall not exceed the amount necessary to



1 restore purchasing power up to ~~68.2~~ 75 percent of the
2 purchasing power of the initial monthly allowance after
3 the application of all allowance increases authorized by
4 this part, including those specified in Section 24412.

5 (b) *The board reserves the right to reduce*
6 *distributions from the Supplemental Benefit*
7 *Maintenance Account to a level below 75 percent of*
8 *purchasing power and to terminate distributions,*
9 *depending on the level of funding available.*

10 (c) The net revenues to be distributed shall be
11 allocated among those retired members, disabled
12 members, and beneficiaries whose allowances, after
13 sequentially applying the annual improvement factor as
14 defined in Sections 22140 and 22141, and the annual
15 supplemental payment as defined in Section 24412, have
16 the lowest purchasing power percentage. The purchasing
17 power calculation for each individual shall be based on
18 the change in the All Urban California Consumer Price
19 Index between June of the calendar year of retirement
20 and June of the fiscal year preceding the fiscal year of
21 distribution. In any year in which the purchasing power
22 of the allowances of all retired members, disabled
23 members, and beneficiaries equals not less than ~~68.2~~ 75
24 percent and additional funds remain from the allocation
25 authorized by this section, those funds shall remain in the
26 Supplemental Benefit Maintenance Account for
27 allocation in future years.

28 ~~(c)~~

29 (d) The allowance increase shall not be applicable to
30 annuities payable from the accumulated annuity deposit
31 contributions or the accumulated tax-sheltered annuity
32 contributions.

33 ~~(d)~~

34 (e) The benefits provided by subdivision (b) are not
35 cumulative, not part of the base allowance, and will be
36 payable only to the extent that funds are available from
37 the Supplemental Benefit Maintenance Account. The
38 board shall inform each recipient of the contents of this
39 subdivision.

40 ~~(e)~~



1 (f) The ~~adjustments~~ *distributions* authorized by this
2 section are not vested and shall not be included in the
3 base allowance for purposes of calculating the annual
4 improvement defined by Sections 22140 and 22141.
5 ~~repealed.~~

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**All matter omitted in this version of the
bill appears in the bill as introduced in the
Senate February 27, 1997 (JR 11)**

