

AMENDED IN SENATE MAY 23, 1997

AMENDED IN SENATE APRIL 14, 1997

SENATE BILL

No. 1026

Introduced by Senator Schiff
(Coauthors: Senators Craven and O'Connell)

February 27, 1997

An act to amend Sections 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 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 make technical, nonsubstantive changes in that provision.~~

Existing law provides that 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 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 amended to read:

3 22954. (a) In addition to any other contributions
4 required by this part, on July 1, 1990, and on July 1 of each
5 subsequent year, the Controller, subject to Section 24414,
6 shall transfer, based on estimated payroll data provided
7 by the board, the following percentages of the total of the
8 prior year creditable compensation upon which
9 members' contributions are based to the Supplemental
10 Benefit Maintenance Account in the Teachers'
11 Retirement Fund, for the purpose of funding the
12 supplemental payments authorized under Section 24415:

- 13
- 14 (1) For the fiscal year ending June 30, 1991 0.50%
- 15 (2) For the fiscal year ending June 30, 1992 1.00%



- 1 (3) For the fiscal year ending June 30, 1993 1.50%
- 2 (4) For the fiscal year ending June 30, 1994 2.00%
- 3 (5) For the fiscal year ending June 30, 1995, and each
- 4 fiscal each fiscal year thereafter 2.50%

5
 6 These transfers shall be based upon estimated payroll
 7 data provided to the Director of Finance by the board and
 8 shall be adjusted in January of that same fiscal year to
 9 reflect actual payroll data.

10 (b) The board may deduct from the annual state
 11 contributions made pursuant to this section an amount
 12 necessary for the administrative expenses to implement
 13 Section 24415, subject to the annual Budget Act.

14 (c) Notwithstanding any other provision of law, it is
 15 the intent of the Legislature, in establishing the
 16 Supplemental Benefit Maintenance Program embodied
 17 in this section and Sections 22400, 24414, and 24415, to
 18 manifest a contractually enforceable promise to repay the
 19 Teachers' Retirement Fund in full, with interest, as
 20 provided in subdivision (b) of Section 24414, for all
 21 transfers or advances made from the Teachers'
 22 Retirement Fund pursuant to subdivision (a) of Section
 23 24414 and for any funds appropriated by Item No.
 24 1920-111-835 of the Budget Act of 1989 from the Teachers'
 25 Retirement Fund to provide purchasing power
 26 protection payments.

27 ~~(d) It is the intent of the Legislature in revising during~~
 28 ~~the 1997-98 Regular Session the Supplemental Benefit~~
 29 ~~Maintenance Program embodied in this section, Sections~~
 30 ~~22400 and 24415, subdivision (b) of Section 44929, and~~
 31 ~~subdivision (b) of Section 87488 to guarantee the transfer~~
 32 ~~of contributions required by subdivision (a) of this~~
 33 ~~section.~~

34 *(d) Except as provided in subdivision (c), the*
 35 *Legislature reserves the right to reduce or terminate the*
 36 *state's contributions to the Supplemental Benefit*
 37 *Maintenance Account in the Teachers' Retirement Fund*
 38 *provided by this section and to reduce or terminate the*
 39 *distributions required by Section 24415. The Legislature*
 40 *intends that any legislative reduction or termination of*



1 *the state's contributions to the Supplemental Benefit*
2 *Maintenance Account in the Teachers' Retirement Fund*
3 *provided by this section or any reduction or termination*
4 *of distributions required by Section 24415, shall be*
5 *effectuated by a separate statute rather than by the*
6 *annual Budget Act.*

7 SEC. 2. Section 24414 of the Education Code is
8 amended to read:

9 24414. (a) Beginning in the 1989–90 fiscal year, and
10 until the first fiscal year in which the Supplemental
11 Benefit Maintenance Account established by Section
12 22400 derives sufficient resources from the General Fund
13 pursuant to Section 22954 to provide purchasing power of
14 75 percent as authorized by Section 24415, the board shall
15 transfer from the retirement fund to the Supplemental
16 Benefit Maintenance Account those funds that are
17 necessary to provide purchasing power of 75 percent as
18 authorized by Section 24415. This subdivision shall
19 become inoperative in the first fiscal year following the
20 joint determination by the board and the Director of
21 Finance that the funds scheduled for transfer from the
22 General Fund pursuant to Section 22954 to the
23 Supplemental Benefit Maintenance Account are
24 adequate to meet the purposes of Section 24415.

25 (b) The funds advanced pursuant to subdivision (a)
26 and any funds appropriated by Item 1920-111-835 of the
27 Budget Act of 1989 from the retirement fund to provide
28 purchasing power protection payments shall be repaid
29 from those funds transferred pursuant to Section 22954
30 that are in excess of the resources required to meet the
31 purposes of Section 24415. Repayment shall commence in
32 any year in which those excess funds exist and shall
33 continue until the time all funds advanced under this
34 section and any funds appropriated by Item 1920-111-835
35 of the Budget Act of 1989 from the retirement fund to
36 provide purchasing power protection payments are
37 repaid. Repayment shall include regular interest from the
38 time funds are advanced or appropriated until the time
39 of repayment. After full repayment is made, the Director
40 of Finance shall, notwithstanding Section 22954, adjust



1 the percentage of the General Fund transfer in the
2 amount which causes the balance in the account to equal
3 a three-year reserve at the end of the subsequent fiscal
4 year. The Director of Finance may base the adjusted rate
5 on data provided by the board for projected payments in
6 subject years, projected payroll, projected interest
7 accrual to the account, and any other factors deemed
8 relevant by the board.

9 (c) Notwithstanding Section 24415 or any other
10 provision of law, if the state's contributions to the
11 retirement fund provided by Section 22954 are, for any
12 reason whatsoever, reduced or terminated before the
13 retirement fund is fully repaid, as provided in subdivision
14 (b), for all advances or transfers made pursuant to
15 subdivision (a) and for any appropriations made by Item
16 1920-111-835 of the Budget Act of 1989 from the
17 retirement fund to provide purchasing power protection
18 payments, all duties of the board to make the advances or
19 transfers required by subdivision (a) and to make the
20 distributions required by Section 24415 shall immediately
21 cease and shall have no further force or effect.

22 (d) Except as provided in subdivision (b) of Section
23 22954 for the guarantee of contributions, nothing in the
24 sections establishing the Supplemental Benefit
25 Maintenance Program shall be construed as a basis for any
26 implied contractual obligation, or as an element of
27 exchange of consideration by a private party for
28 consideration offered by the state, or as an intent to grant
29 private rights of contract, or as conferring any vested
30 right whatsoever on any present or future member,
31 present or future annuitant, present or future surviving
32 spouse of a present or future member or a present or
33 future annuitant, dependent child or dependent parent
34 of a present or future member or a present or future
35 annuitant, or present or future beneficiary of the plan,
36 including the right to distributions from the
37 Supplemental Benefit Maintenance Account at a level
38 representing 75 percent of the purchasing power of the
39 initial allowance.



1 (e) The board shall report annually to the Director of
2 Finance and the appropriate fiscal and policy committees
3 of the Legislature upon the benefits paid pursuant to
4 Section 24415 and all actions taken pursuant to Section
5 22954 and this section.

6 SEC. 3. Section 24415 of the Education Code is
7 amended to read:

8 24415. (a) The proceeds of the Supplemental Benefit
9 Maintenance Account shall, except as otherwise provided
10 by Section 24414, be distributed annually in quarterly
11 supplemental payments commencing on September 1,
12 1997, to retired members, disabled members, and
13 beneficiaries. The amount available for distribution in
14 any fiscal year shall not exceed the amount necessary to
15 restore purchasing power up to 75 percent of the
16 purchasing power of the initial monthly allowance after
17 the application of all allowance increases authorized by
18 this part, including those specified in Section 24412.

19 (b) The board reserves the right to reduce
20 distributions from the Supplemental Benefit
21 Maintenance Account to a level below 75 percent of
22 purchasing power and to terminate distributions,
23 depending on the level of funding available.

24 (c) The net revenues to be distributed shall be
25 allocated among those retired members, disabled
26 members, and beneficiaries whose allowances, after
27 sequentially applying the annual improvement factor as
28 defined in Sections 22140 and 22141, and the annual
29 supplemental payment as defined in Section 24412, have
30 the lowest purchasing power percentage. The purchasing
31 power calculation for each individual shall be based on
32 the change in the All Urban California Consumer Price
33 Index between June of the calendar year of retirement
34 and June of the fiscal year preceding the fiscal year of
35 distribution. In any year in which the purchasing power
36 of the allowances of all retired members, disabled
37 members, and beneficiaries equals not less than 75
38 percent and additional funds remain from the allocation
39 authorized by this section, those funds shall remain in the



1 Supplemental Benefit Maintenance Account for
2 allocation in future years.

3 (d) The allowance increase shall not be applicable to
4 annuities payable from the accumulated annuity deposit
5 contributions or the accumulated tax-sheltered annuity
6 contributions.

7 (e) The benefits provided by subdivision (b) are not
8 cumulative, ~~not~~ *nor* part of the base allowance, and will
9 be payable only to the extent that funds are available from
10 the Supplemental Benefit Maintenance Account. The
11 board shall inform each recipient of the contents of this
12 subdivision.

13 (f) The distributions authorized by this section are not
14 vested and shall not be included in the base allowance for
15 purposes of calculating the annual improvement defined
16 by Sections 22140 and 22141.

