

AMENDED IN SENATE JUNE 22, 2000
AMENDED IN SENATE AUGUST 31, 1999
AMENDED IN SENATE AUGUST 16, 1999
AMENDED IN ASSEMBLY MAY 18, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 1509

Introduced by Assembly Member Machado

February 26, 1999

~~An act to amend Section 1748.10 of, and to amend, repeal, and add Section 1748.12 of, the Civil Code, relating to credit card issuers.—An act to amend Sections 22008, 22102, 22105, 22107, 22108, 22132, 22140, 22161.5, 22304, 22309, 22453, 22651, 22652, 22655, 22656, 22658, 22659, 22660, 22661, 22662, 22664, 22665, 22706, 23100, 24202.5, 24206, 24402, 24411, 24412, 24415, 24417, and 24600 of, to amend and renumber Sections 25000, 25100, 25110, 25115, 25120, and 25125 of, to add Sections 22101.5, 22104.7, 22104.9, 22105.5, 22122.7, 22127.2, 22133.5, 22139.5, 22146.7, 22156.05, 22166.5, 22176, 22302, 22311.5, 22311.7, 24300.5, and 24305.3 to, to add Chapter 38 (commencing with Section 25000) to Part 13 of Division 1 of Title 1 of, to add and repeal Section 22901.5, and to repeal and add Sections 22162, 22311, 22460, 22906, 23300, and 23881 of, the Education Code, relating to state teachers' retirement.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1509, as amended, Machado. ~~Credit cards: marketing information~~ *State teachers' retirement: Defined Benefit Supplement Program.*

The Teachers' Retirement Law establishes the Defined Benefit Program, which provides specified service and disability retirement benefits to members, and requires those members and their employers to make specified contributions to the Teachers' Retirement Fund for that purpose.

This bill would establish the Defined Benefit Supplement Program, as specified, pursuant to which members of the Defined Benefit Program would receive supplemental retirement, disability, final, or termination benefits, payable in a lump-sum or annuity, as specified. The bill would require 25% of each member's contributions to the Teachers' Retirement Fund to be allocated to the program for a specified period and would make related technical and conforming changes.

~~Existing law requires a credit card issuer to provide written notice to all persons who are holders of the issuer's credit cards if the issuer discloses marketing information, as defined, concerning a consumer which discloses the consumer's identity to any person, except specified 3rd parties. The notice is required to describe the cardholder's right to prohibit this disclosure. Existing law specifies the methods of satisfying this requirement.~~

~~This bill would, operative April 1, 2000, recast this provision to, among other things, require that a credit card issuer provide the notice before the issuer discloses the information and, if the information is disclosed, at least once per year, as specified. The bill would also revise the definition of marketing information, as specified, and exempt communications to a corporate subsidiary or affiliate of the card issuer that are not used for marketing purposes from the disclosure prohibition, except as specified.~~

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



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

1 ~~SECTION 1. Section 1748.10 of the Civil Code is~~
2 *SECTION 1. Section 22008 of the Education Code is*
3 *amended to read:*
4 22008. For the purposes of payments into or out of the
5 retirement fund for adjustments of errors or omissions
6 with respect to the Defined Benefit Program *or the*
7 *Defined Benefit Supplement Program*, the period of
8 limitation of actions shall be applied, except as provided
9 in Sections 23302 and 24613, as follows:
10 (a) No action may be commenced by or against the
11 board, the system, or the plan more than three years after
12 all obligations to or on behalf of the member, former
13 member, ~~or~~ beneficiary, *or annuity beneficiary* have
14 been discharged.
15 (b) If the system makes an error that results in
16 incorrect payment to a member, former member, ~~or~~
17 beneficiary, *or annuity beneficiary*, the system's right to
18 commence recovery shall expire three years from the
19 date the incorrect payment was made.
20 (c) If an incorrect payment is made due to lack of
21 information or inaccurate information regarding the
22 eligibility of a member, former member, ~~or~~ beneficiary,
23 *or annuity beneficiary* to receive benefits under the ~~plan~~
24 *Defined Benefit Program or Defined Benefit*
25 *Supplement Program*, the period of limitation shall
26 commence with the discovery of the incorrect payment.
27 (d) Notwithstanding any other provision of this
28 section, if an incorrect payment has been made on the
29 basis of fraud or intentional misrepresentation by a
30 member, beneficiary, *annuity beneficiary*, or other party
31 in relation to or on behalf of a member ~~or~~, beneficiary, *or*
32 *annuity beneficiary*, the three-year period of limitation
33 shall not be deemed to commence or to have commenced
34 until the system discovers the incorrect payment.
35 (e) The collection of overpayments under
36 subdivisions (b), (c), and (d) shall be made pursuant to
37 Section 24617.



1 SEC. 2. Section 22102 of the Education Code is
2 amended to read:

3 22102. “Accumulated retirement contributions”
4 means the sum of ~~all the~~ member contributions ~~and all,~~
5 ~~the~~ member contributions ~~paid~~ picked up by ~~the~~ an
6 employer pursuant to Sections 22903 and 22904 ~~with,~~ and
7 credited interest ~~and does~~ on those contributions.
8 Accumulated retirement contributions shall not include
9 accumulated annuity deposit contributions ~~and,~~
10 accumulated tax-sheltered annuity contributions,
11 accumulated Defined Benefit Supplement contributions,
12 or additional earnings credit.

13 SEC. 3. Section 22101.5 is added to the Education
14 Code, to read:

15 22101.5. “Accumulated Defined Benefit Supplement
16 account balance” means an amount equal to the sum of
17 member contributions, the member contributions picked
18 up by an employer, employer contributions, and interest
19 credited on those contributions pursuant to Section
20 25005, that are credited by the system to the member’s
21 Defined Benefit Supplement account.

22 SEC. 4. Section 22104.7 is added to the Education
23 Code, to read:

24 22104.7. “Additional earnings credit” means an
25 amount derived from investment income for the plan
26 year as determined by the board by plan amendment and
27 added to members’ Defined Benefit Supplement
28 accounts in addition to the amount credited at the
29 minimum interest rate for that plan year.

30 SEC. 5. Section 22104.9 is added to the Education
31 Code, to read:

32 22104.9. “Annuitant Reserve” means a segregated
33 account within the retirement fund established and
34 maintained for expenditure on annuities payable under
35 the Defined Benefit Supplement Program.

36 SEC. 6. Section 22105 of the Education Code is
37 amended to read:

38 22105. ~~“Annuity”~~ (a) “Annuity,” with respect to the
39 Defined Benefit Program, means payments for life



1 derived from the “accumulated annuity deposit
2 contributions” of a member.

3 (b) “Annuity,” with respect to the Defined Benefit
4 Supplement Program, means an alternative payment
5 arrangement wherein a benefit based on the balance of
6 credits in a member’s Defined Benefit Supplement
7 account is paid monthly rather than in a lump-sum.

8 SEC. 7. Section 22105.5 is added to the Education
9 Code, to read:

10 22105.5. “Annuity beneficiary” means the person or
11 persons designated by a member pursuant to Section
12 25011 or 25018 to receive an annuity under the Defined
13 Benefit Supplement Program upon the member’s death.

14 SEC. 8. Section 22107 of the Education Code is
15 amended to read:

16 22107. ~~“Beneficiary”~~ (a) “Beneficiary,” with respect
17 to the Defined Benefit Program, means any person or
18 entity receiving or entitled to receive an allowance ~~and~~
19 ~~or lump-sum payment pursuant to this part~~ under the
20 Defined Benefit Program because of the disability or
21 death of a member.

22 (b) “Beneficiary,” with respect to the Defined Benefit
23 Supplement Program, means any person or entity
24 receiving or entitled to receive a final benefit under the
25 Defined Benefit Supplement Program upon the death of
26 a member.

27 SEC. 9. Section 22108 of the Education Code is
28 amended to read:

29 22108. (a) “Benefit” or ~~“benefits”~~ “benefits,” with
30 respect to the Defined Benefit Program, means any
31 monthly payment due a retired member, disabled
32 member, or beneficiary, and includes lump-sum
33 payments due on account of death.

34 (b) “Benefit” and “benefits,” with respect to the
35 Defined Benefit Supplement Program, means an amount
36 equal to the balance of credits in a member’s Defined
37 Benefit Supplement account.

38 SEC. 10. Section 22122.7 is added to the Education
39 Code, to read:



1 22122.7. “Defined Benefit Supplement
 2 contributions” means member contributions and
 3 employer contributions that are credited by the system
 4 to the member’s Defined Benefit Supplement account
 5 pursuant to Section 25004.

6 SEC. 11. Section 22127.2 is added to the Education
 7 Code, to read:

8 22127.2. “Disability benefit” means the amount
 9 payable under the Defined Benefit Supplement Program
 10 based on the balance of credits in a member’s Defined
 11 Benefit Supplement account to either a disabled member
 12 pursuant to Section 24005 or to a member who retired for
 13 disability pursuant to Section 24105.

14 SEC. 12. Section 22132 of the Education Code is
 15 amended to read:

16 22132. “Employed” or “employment” means
 17 employment to perform creditable service subject to
 18 coverage by ~~the State Teachers’ Retirement Defined~~
 19 ~~Benefit Program~~ under the Defined Benefit Program or
 20 the Defined Benefit Supplement Program, except as
 21 otherwise specifically provided under this part.

22 SEC. 13. Section 22133.5 is added to the Education
 23 Code, to read:

24 22133.5. “Final benefit” means the amount payable to
 25 a beneficiary under the Defined Benefit Supplement
 26 Program upon the death of the member.

27 SEC. 14. Section 22139.5 is added to the Education
 28 Code, to read:

29 22139.5. “Gain and Loss Reserve” means a segregated
 30 account within the retirement fund that is established
 31 and maintained to do either of the following:

32 (a) Credit interest to members’ Defined Benefit
 33 Supplement accounts at the minimum interest rate for
 34 plan years in which the board determines that the
 35 obligation cannot be met from the plan’s investment
 36 earnings with respect to the Defined Benefit Supplement
 37 Program.

38 (b) Provide additions to the Annuitant Reserve to
 39 meet the plan’s obligation for annuities payable under the
 40 Defined Benefit Supplement Program.



1 SEC. 15. Section 22140 of the Education Code is
2 amended to read:

3 22140. (a) “Improvement ~~factor~~” factor,” with
4 respect to the Defined Benefit Program, means an
5 increase of 2 percent in ~~benefits for~~ monthly allowances.
6 The improvement factor shall be added to a monthly
7 allowance each year ~~commencing~~ on September 1,
8 commencing on September 1 following the first
9 anniversary of the effective date of retirement, or the
10 date on which the monthly ~~benefits~~ allowance
11 commenced to accrue to any beneficiary ~~other than a~~
12 ~~retired member~~, or other periods specifically stated in
13 this part. ~~The~~

14 (b) “Improvement factor,” with respect to the
15 Defined Benefit Supplement Program, means an
16 increase of 2 percent in monthly annuities. The
17 improvement factor shall be added to a monthly annuity
18 each year on September 1, commencing on the
19 September 1 following the first anniversary of the date
20 the annuity first became payable.

21 (c) The improvement factor shall not be compounded
22 nor shall it be applicable to annuities payable from the
23 accumulated annuity deposit contributions or the
24 accumulated tax-sheltered annuity contributions. The
25 Legislature reserves the right to adjust the amount of the
26 improvement factor up or down as economic conditions
27 dictate. No adjustments of the improvement factor shall
28 reduce the monthly retirement allowance or ~~benefit~~
29 annuity below that which would be payable to the
30 recipient under this part had this section not been
31 enacted.

32 SEC. 16. Section 22146.7 is added to the Education
33 Code, to read:

34 22146.7. “Minimum interest rate” means the annual
35 interest rate determined by the board by plan
36 amendment at which interest shall be credited to
37 Defined Benefit Supplement accounts for a plan year.

38 SEC. 17. Section 22156.05 is added to the Education
39 Code, to read:



1 22156.05. “Plan year” means the period of time
2 beginning on July 1 of one calendar year and ending on
3 June 30 of the following calendar year. For purposes of the
4 Defined Benefit Supplement Program, the board shall
5 designate by plan amendment the initial plan year.

6 SEC. 18. Section 22161.5 of the Education Code is
7 amended to read:

8 22161.5. “Refund” means a the lump-sum return of
9 the a member’s accumulated retirement contributions
10 under the Defined Benefit Program and does not include
11 accumulated contributions credited to the Defined
12 Benefit Supplement Program.

13 SEC. 19. Section 22162 of the Education Code is
14 repealed.

15 ~~22162. “Regular interest”, with respect to the Defined~~
16 ~~Benefit Program, is interest that is compounded annually~~
17 ~~based upon the annual equivalent of the prior year’s~~
18 ~~average yield to maturity on the investment grade~~
19 ~~fixed-income securities with respect to the Defined~~
20 ~~Benefit Program. The regular interest rate shall be~~
21 ~~adopted annually by the board as a plan amendment.~~

22 SEC. 20. Section 22162 is added to the Education
23 Code, to read:

24 22162. “Regular interest” means interest that is
25 compounded annually based on the annual equivalent of
26 the prior year’s average yield to maturity on the
27 investment-grade fixed income securities attributable to
28 the Defined Benefit Program, but not on assets
29 attributable to the Defined Benefit Supplement
30 Program. The regular interest rate shall be adopted
31 annually by the board as a plan amendment with respect
32 to the Defined Benefit Program.

33 SEC. 21. Section 22166.5 is added to the Education
34 Code, to read:

35 22166.5. “Retirement benefit” means the amount
36 payable under the Defined Benefit Supplement
37 Program, based on the balance of credits in the member’s
38 Defined Benefit Supplement account, to a member who
39 has retired for service under the Defined Benefit
40 Program.



1 SEC. 22. Section 22176 is added to the Education
2 Code, to read:

3 22176. "Termination benefit" means a benefit equal
4 in amount to the balance of credits in the member's
5 Defined Benefit Supplement account that is payable to
6 the member in a lump-sum when the member has
7 terminated all employment to perform creditable service
8 subject to coverage by the plan.

9 SEC. 23. Section 22302 is added to the Education
10 Code, to read:

11 22302. The board may contract with a qualified
12 third-party administrator for custodial, record keeping,
13 or other administrative services necessary to carry into
14 effect the provisions of Chapter 38 (commencing with
15 Section 25000) of this part or Part 14.

16 SEC. 24. Section 22304 of the Education Code is
17 amended to read:

18 22304. (a) The costs of administration of the plan
19 shall be paid from the retirement fund and those costs
20 may not exceed the amount made available by law during
21 any fiscal period.

22 (b) The administrative costs of the plan shall be
23 divided proportionately in accordance with the assets of
24 the Defined Benefit Program, the Defined Benefit
25 Supplement Program, and the Cash Balance Benefit
26 Program.

27 SEC. 25. Section 22309 of the Education Code is
28 amended to read:

29 22309. (a) The board shall issue to each active and
30 inactive member, *no less frequently than annually* after
31 the close of the school year, a statement of ~~his or her~~ *the*
32 *member's* individual ~~account~~ *Defined Benefit Program*
33 *and Defined Benefit Supplement accounts*, provided the
34 employer or member has informed the system of the
35 member's current mailing address.

36 (b) The board shall periodically make a good faith
37 effort to locate inactive members to provide these
38 members with information concerning any benefit for
39 which they may be eligible.



1 *SEC. 26. Section 22311 of the Education Code is*
2 *repealed.*

3 ~~22311. (a) The board shall keep in convenient form~~
4 ~~any data necessary for the actuarial valuation of the plan.~~

5 ~~(b) The board shall make an actuarial investigation~~
6 ~~into the mortality, service, and other experience of~~
7 ~~members and beneficiaries of the Defined Benefit~~
8 ~~Program as well as an actuarial review of the goals~~
9 ~~regarding the sufficiency of the Gain and Loss Reserve~~
10 ~~with respect to the Cash Balance Benefit Program. This~~
11 ~~investigation and review shall include an actuarial~~
12 ~~valuation of the assets and liabilities of the plan, and shall~~
13 ~~be performed at least once every six years. The actuary~~
14 ~~shall perform the actuarial valuation using actuarial~~
15 ~~assumptions adopted by the board and that are, in the~~
16 ~~aggregate, reasonably related to the past experience of~~
17 ~~the plan and the best estimate by the actuary of the future~~
18 ~~experience of the plan. The report of the actuary of the~~
19 ~~results of the actuarial valuation shall identify and include~~
20 ~~the components of normal cost and adequate information~~
21 ~~to determine the effects of changes in actuarial~~
22 ~~assumptions. Copies of the report on the actuarial~~
23 ~~valuation shall be transmitted to the Governor and to the~~
24 ~~Legislature. Upon the basis of any or all of the actuarial~~
25 ~~investigation and valuation, the board shall adopt for the~~
26 ~~plan any rates of return on investments, rates of~~
27 ~~contribution to the retirement fund, mortality, service,~~
28 ~~and other tables it deems necessary.~~

29 *SEC. 27. Section 22311 is added to the Education*
30 *Code, to read:*

31 *22311. The board shall maintain all data necessary to*
32 *perform an actuarial investigation of the demographic*
33 *and economic experience of the plan and for the actuarial*
34 *valuation of the assets and liabilities of the plan.*

35 *SEC. 28. Section 22311.5 is added to the Education*
36 *Code, to read:*

37 *22311.5. The board shall acquire the services of an*
38 *actuary to do all of the following:*

39 *(a) Make recommendations to the board for the*
40 *adoption of actuarial assumptions that, in the aggregate,*



1 are reasonably related to the past experience of the plan
2 and reflect the actuary's informed estimate of the future
3 experience.

4 (b) Make an actuarial investigation of the
5 demographic and economic experience, including the
6 mortality, service, and other experience, of the plan with
7 respect to members and beneficiaries of the Defined
8 Benefit Programs; members, beneficiaries, and annuity
9 beneficiaries of the Defined Benefit Supplement
10 Program; and participants and beneficiaries of the Cash
11 Balance Benefit Program.

12 (c) Make an annual actuarial review of the goals
13 regarding the sufficiency of the Gain and Loss Reserves
14 with respect to the Defined Benefit Supplement
15 Program and the Cash Balance Benefit Program and
16 recommend to the board the goal for maintaining
17 sufficient Gain and Loss Reserves for the Defined Benefit
18 Supplement Program and the Cash Balance Benefit
19 Program.

20 (d) Recommend to the board the amount, if any, to be
21 transferred to the separate Gain and Loss Reserves from
22 the investment earnings of the plan with respect to the
23 Defined Benefit Supplement Program and the Cash
24 Balance Benefit Program.

25 (e) At least once every six years with respect to the
26 Defined Benefit Program and annually with respect to
27 the Defined Benefit Supplement Program and the Cash
28 Balance Benefit Program, using actuarial assumptions
29 adopted by the board, perform an actuarial valuation of
30 the plan that identifies the assets and liabilities of the plan,
31 and report the findings to the board. The report of the
32 actuary on the results of the actuarial valuation shall
33 identify and include the components of normal cost and
34 adequate information to determine the effects of changes
35 in actuarial assumptions. Copies of the report on the
36 actuarial valuation shall be transmitted to the Governor
37 and to the Legislature.

38 (f) Recommend to the board all rates and factors
39 necessary to administer the plan, including, but not



1 *limited to, mortality tables, annuity factors, interest rates,*
2 *and additional earnings credits.*

3 *(g) Recommend to the board a strategy for amortizing*
4 *any unfunded actuarial obligation.*

5 *(h) As requested by the board, perform any other*
6 *actuarial services that may be required for administration*
7 *of the plan.*

8 *SEC. 29. Section 22311.7 is added to the Education*
9 *Code, to read:*

10 *22311.7. Upon the basis of the actuarial investigation*
11 *and actuarial valuation pursuant to Section 22311.5, or any*
12 *part thereof, the board shall adopt by plan amendment*
13 *actuarial assumptions, rates, factors, and tables as the*
14 *board determines are necessary for administration of the*
15 *plan and its programs.*

16 *SEC. 30. Section 22453 of the Education Code is*
17 *amended to read:*

18 22453. (a) Except as provided in Section 22454, the
19 signature of the spouse of a member shall be required on
20 any application for, or cancellation of, an unmodified
21 allowance; ; *any application for, or cancellation of, an*
22 *annuity or termination benefit under the Defined*
23 *Benefit Supplement Program;* the election, change, or
24 cancellation of an option;; *or any request for a refund of*
25 *the member's accumulated retirement contributions or*
26 *accumulated annuity deposit contributions, or any other*
27 *requests related to the selection of benefits by a member*
28 *in which a spousal interest may be present, unless the*
29 *member declares, in writing, under penalty of perjury,*
30 *that one of the following conditions exists:*

31 (1) The member does not know, and has taken all
32 reasonable steps to determine, the whereabouts of the
33 spouse.

34 (2) The spouse is incapable of executing the
35 acknowledgment because of an incapacitating mental or
36 physical condition.

37 (3) The member and spouse have executed a marriage
38 settlement agreement pursuant to Part 5 (commencing
39 with Section 1500) of Division 4 of the Family Code that



1 makes the community property law inapplicable to the
2 marriage.

3 (4) The member is not married.

4 (5) The current spouse has no identifiable community
5 property interest in the benefit.

6 (b) This section is not applicable to an application for
7 a disability allowance.

8 (c) The sole purpose of this section is to provide for
9 spousal protection in the selection of specified benefits
10 made by a member.

11 *SEC. 31. Section 22460 of the Education Code is*
12 *repealed.*

13 ~~22460. Employers shall notify all members who~~
14 ~~terminate employment with less than five years' credited~~
15 ~~California service that the only benefit for which they are~~
16 ~~eligible at any time is the refund of accumulated~~
17 ~~contributions, the rate of interest that will be earned, and~~
18 ~~actions that may be taken by the board if the~~
19 ~~contributions are not withdrawn. Employers shall~~
20 ~~transmit the information to the member as part of the~~
21 ~~usual separation documents.~~

22 *SEC. 32. Section 22460 is added to the Education*
23 *Code, to read:*

24 22460. (a) *If a member terminates employment with*
25 *less than five years of credited service, the employer shall*
26 *notify the member of the following:*

27 (1) *That unless the member is eligible, or becomes*
28 *eligible in the future, for concurrent retirement pursuant*
29 *to paragraph (2) of subdivision (a) of Section 24201, the*
30 *member is eligible only for a refund of accumulated*
31 *retirement contributions and the return of an amount*
32 *equal to the balance of credits in the member's Defined*
33 *Benefit Supplement account.*

34 (2) *The current rate of interest that shall be earned on*
35 *accumulated retirement contributions that are not*
36 *refunded and the current minimum interest rate that*
37 *shall be applied to the balance of credits in the member's*
38 *Defined Benefit Supplement account.*

39 (3) *Actions that may be taken by the board if*
40 *accumulated retirement contributions are not refunded*



1 *and an amount equal to the balance of credits in the*
2 *member's Defined Benefit Supplement account are not*
3 *returned.*

4 *(b) Employers shall transmit to a member who*
5 *terminates employment with less than five years of*
6 *credited service the information specified in subdivision*
7 *(a) as part of the usual separation documents.*

8 *SEC. 33. Section 22651 of the Education Code is*
9 *amended to read:*

10 22651. For purposes of this chapter and Section 23300,
11 "nonmember spouse" means ~~the~~ *a member's spouse or*
12 *former spouse who is being or has been awarded a*
13 *community property interest in the service credit and,*
14 *accumulated retirement contributions, accumulated*
15 *Defined Benefit Supplement account balance, or the*
16 *benefits of a the member under this part. A nonmember*
17 *spouse who is awarded a separate account of service*
18 *credit and accumulated retirement contributions or, who*
19 *is awarded a separate account based on the balance of*
20 *credits in the member's Defined Benefit Supplement*
21 *account, who receives a retirement allowance or*
22 *retirement annuity under this part, or who is awarded an*
23 *interest in a member's retirement allowance or*
24 *retirement annuity under this part is not a member.*

25 *SEC. 34. Section 22652 of the Education Code is*
26 *amended to read:*

27 22652. (a) Upon the legal separation or dissolution of
28 marriage of a member, *other than a retired member,* the
29 court shall include in the judgment or a court order the
30 date on which the parties separated.

31 (b) The court may order in the judgment or court
32 order that the accumulated retirement contributions and
33 service credit *or an amount equal to the balance of credits*
34 *in the member's Defined Benefit Supplement account*
35 *under this part that are attributable to periods of service*
36 *during the marriage be divided into two separate and*
37 *distinct accounts in the name of the member and the*
38 *nonmember spouse, respectively. Any service credit or,*
39 *accumulated retirement contributions, or amount equal*
40 *to the balance of credits in the member's Defined Benefit*



1 *Supplement account* under this part that are not
2 explicitly awarded by the judgment or court order shall
3 be deemed the exclusive property of the member ~~in~~
4 *under* the Defined Benefit Program *or the Defined*
5 *Benefit Supplement Program.*

6 (c) The determination of the court of community
7 property rights pursuant to this section shall be consistent
8 with this chapter and shall address the rights of the
9 nonmember spouse *under this part*, including, but not
10 limited to, the following:

11 (1) The right to a retirement allowance ~~under this part~~
12 *and, if applicable, a retirement annuity.*

13 (2) The right to a refund of accumulated retirement
14 contributions ~~under this part and the lump-sum payment~~
15 *of an amount equal to the balance of credits in the*
16 *member's Defined Benefit Supplement account that*
17 *were awarded to the nonmember spouse.*

18 (3) The right to redeposit accumulated retirement
19 contributions ~~which are previously refunded to the~~
20 *member which the member is eligible for to redeposit*
21 ~~under this part by the member under pursuant to~~
22 Sections 23200 to 23203, inclusive, and *shall specify* the
23 shares of the *redeposit amount awarded to the member*
24 and the nonmember spouse ~~of the eligible redeposit~~
25 ~~amount.~~

26 (4) The right to purchase additional service credit
27 ~~under this part which that the member is eligible for to~~
28 *purchase by the member under pursuant to* Sections
29 22800 to 22810, inclusive, and *shall specify* the shares of
30 the *additional service credit awarded to the member and*
31 the nonmember spouse ~~of the service credit eligible for~~
32 ~~purchase.~~

33 *SEC. 35. Section 22655 of the Education Code is*
34 *amended to read:*

35 22655. (a) Upon the legal separation or dissolution of
36 marriage of a retired member, the court may include in
37 the judgment or court order a determination of the
38 community property rights of the parties in the *retired*
39 *member's* retirement allowance *and, if applicable,*
40 *retirement annuity* under this part ~~of the retired member~~



1 consistent with this section. Upon election under
2 subparagraph (B) of paragraph (3) of subdivision (a) of
3 Section 2610 of the Family Code, the court order
4 awarding the nonmember spouse a community property
5 share in the ~~benefits~~ *retirement allowance or retirement*
6 *annuity, or both*, of a retired member shall be consistent
7 with this section.

8 (b) If the court does not award the entire retirement
9 allowance *or retirement annuity* under this part to the
10 retired member and the retired member is receiving a
11 retirement allowance that has not been modified
12 pursuant to Section 24300, *or a single life annuity*
13 *pursuant to Section 25011 or 25018*, the court shall require
14 only that the system pay the nonmember spouse, by
15 separate warrant ~~from the plan~~, his or her community
16 property share of the *retired member's* retirement
17 allowance *or retirement annuity, or both*, under this part
18 ~~of the retired member~~.

19 (c) If the court does not award the entire retirement
20 allowance *or retirement annuity* under this part to the
21 retired member and the retired member is receiving an
22 allowance ~~which~~ *that* has been actuarially modified
23 pursuant to Section 24300, *or a joint and survivor annuity*
24 *pursuant to Section 25011 or 25018*, the court shall order
25 only one of the following:

26 (1) The retired member shall maintain the retirement
27 allowance *or retirement annuity, or both*, under this part
28 without change.

29 (2) The retired member shall cancel the option ~~under~~
30 ~~which~~ *that modified* the retirement allowance ~~is modified~~
31 under this part pursuant to Section 24305 and select a new
32 joint and survivor option or a new beneficiary or both,
33 and the system shall pay the nonmember spouse, by
34 separate warrant ~~from the plan~~, his or her community
35 property share of the retirement allowance under this
36 part of the retired member, the option beneficiary, or
37 both.

38 (3) *The retired member shall cancel the joint and*
39 *survivor annuity under which the retirement annuity is*
40 *being paid pursuant to Section 24305.5, and select a new*



1 *joint and survivor annuity or a new annuity beneficiary*
2 *or both, and the system shall pay the nonmember spouse,*
3 *by separate warrant, his or her community property*
4 *share of the retirement annuity payable to the retired*
5 *member, the annuity beneficiary, or both.*

6 (4) *The retired member shall take the action specified*
7 *in both paragraphs (2) and (3).*

8 (5) *The retired member shall cancel the option under*
9 *which that modified the retirement allowance is modified*
10 *under this part pursuant to Section 24305 and select an*
11 *unmodified retirement allowance and the system shall*
12 *pay the nonmember spouse, by separate warrant from*
13 *the plan, his or her community property share of the*
14 *retired member's retirement allowance of the retired*
15 *member under this part.*

16 (6) *The retired member shall cancel the joint and*
17 *survivor annuity under which the retirement annuity is*
18 *being paid pursuant to Section 24305.5, and select a single*
19 *life annuity, and the system shall pay the nonmember*
20 *spouse, by separate warrant, his or her community*
21 *property share of the retirement annuity payable to the*
22 *retired member.*

23 (7) *The retired member shall take the action specified*
24 *in both paragraphs (5) and (6).*

25 (d) *If the option beneficiary or annuity beneficiary or*
26 *both under this part, other than the nonmember spouse,*
27 *predeceases the retired member, the court shall order*
28 *the retired member to select a new option beneficiary*
29 *under this part pursuant to Section 24306, or a new*
30 *annuity beneficiary pursuant to Section 24305.3 and shall*
31 *order the system to pay the nonmember spouse, by*
32 *separate warrant from the plan, his or her share of the*
33 *community property interest in the retirement*
34 *allowance or retirement annuity or both under this part*
35 *of the retired member or the new option beneficiary; or*
36 *both annuity beneficiary or each of them.*

37 (e) *The right of the nonmember spouse to receive his*
38 *or her community property share of the retired*
39 *member's retirement allowance under this part of the*
40 *retired member or retirement annuity or both under this*



1 section shall terminate upon the death of the nonmember
2 spouse. However, the nonmember spouse may designate
3 a beneficiary *under the Defined Benefit Program and a*
4 *payee under the Defined Benefit Supplement Program*
5 to receive his or her community property share of the
6 retired member's accumulated retirement contributions
7 *and accumulated Defined Benefit Supplement account*
8 *balance under this part in the event that there are*
9 *remaining accumulated retirement contributions*
10 ~~become payable~~ *and a balance in the member's Defined*
11 *Benefit Supplement account to be paid upon the death of*
12 *the nonmember spouse.*

13 SEC. 36. Section 22656 of the Education Code is
14 amended to read:

15 22656. No judgment or court order issued pursuant to
16 this chapter is binding on the ~~plan~~ system with respect to
17 the Defined Benefit Program *or the Defined Benefit*
18 *Supplement Program* until the ~~plan~~ system has been
19 joined as a party to the action and has been served with
20 a certified copy of the judgment or court order.

21 SEC. 37. Section 22658 of the Education Code is
22 amended to read:

23 22658. (a) A separate account awarded to a
24 nonmember spouse pursuant to Section 22652 shall be
25 administered independently of the member's account.

26 (b) ~~Accumulated~~ *An accumulated Defined Benefit*
27 *Supplement account balance, accumulated retirement*
28 *contributions, service credit, and final compensation*
29 *attributable to a separate account of a nonmember spouse*
30 *under this part shall not be combined in any way or for*
31 *any purpose with the accumulated Defined Benefit*
32 *Supplement account balance, accumulated retirement*
33 *contributions, service credit, and final compensation of*
34 *any other separate account of the nonmember spouse.*

35 (c) ~~Accumulated~~ *An accumulated Defined Benefit*
36 *Supplement account balance, accumulated retirement*
37 *contributions, service credit, and final compensation*
38 *attributable to the separate account of a nonmember*
39 *spouse shall not be combined in any way or for any*
40 *purpose with the accumulated Defined Benefit*



1 *Supplement account balance, accumulated retirement*
2 *contributions, service credit, and final compensation of*
3 *an account that exists under this part because the*
4 *nonmember spouse is employed or has been employed to*
5 *perform creditable service subject to coverage under the*
6 *Defined Benefit Program or the Defined Benefit*
7 *Supplement Program.*

8 *SEC. 38. Section 22659 of the Education Code is*
9 *amended to read:*

10 22659. Upon being awarded a separate account or an
11 interest in the retirement allowance *or retirement*
12 *annuity* of a retired member under this part, a
13 nonmember spouse shall provide the system with proof
14 of his or her date of birth, social security number, and any
15 other information requested by the system, in the form
16 and manner requested by the system.

17 *SEC. 39. Section 22660 of the Education Code is*
18 *amended to read:*

19 22660. (a) The nonmember spouse who is awarded a
20 separate account under this part shall have the right to
21 designate, pursuant to Sections 23300 to 23304, inclusive,
22 a beneficiary or beneficiaries to receive the accumulated
23 retirement contributions *under the Defined Benefit*
24 *Program and to designate a payee to receive the*
25 *accumulated Defined Benefit Supplement account*
26 *balance under the Defined Benefit Supplement Program*
27 remaining in the separate account of the nonmember
28 spouse on his or her date of death, and any accrued
29 allowance *or accrued Defined Benefit Supplement*
30 *annuity under this part* attributable to the separate
31 account *of the nonmember spouse* which is unpaid on the
32 date of the death of the nonmember spouse ~~under this~~
33 ~~part.~~

34 (b) This section shall not be construed to provide the
35 nonmember spouse with any right to elect to modify a
36 retirement allowance under Section 24300 *or to elect a*
37 *joint and survivor annuity under the Defined Benefit*
38 *Supplement Program.*

39 *SEC. 40. Section 22661 of the Education Code is*
40 *amended to read:*

1 22661. (a) The nonmember spouse who is awarded a
2 separate account under this part shall have the right to a
3 refund of the accumulated retirement contributions in
4 the account, *and a lump-sum payment of the balance of*
5 *credits in the Defined Benefit Supplement account*, of
6 the nonmember spouse under this part.

7 (b) The nonmember spouse shall file an application on
8 a form provided by the system to obtain ~~the~~ *a refund or*
9 *lump-sum payment*.

10 (c) The refund *and lump-sum payment* under this
11 part ~~is~~ *are* effective when the system deposits in the
12 United States mail an initial warrant drawn in favor of the
13 nonmember spouse and addressed to the latest address
14 for the nonmember spouse on file in the system. If the
15 nonmember spouse has elected on a form provided by the
16 system to transfer all or a specified portion of the
17 accumulated *retirement contributions or the*
18 *accumulated Defined Benefit Supplement account*
19 *balance* that are eligible for direct trustee-to-trustee
20 transfer to the trustee of a qualified plan under Section
21 402 of the Internal Revenue Code of 1986 (26 U.S.C.A.
22 Sec. 402), deposit in the United States mail of a notice that
23 the requested transfer has been made constitutes a return
24 of the nonmember spouse's accumulated *retirement*
25 *contributions or accumulated Defined Benefit*
26 *Supplement account balance*.

27 (d) The nonmember spouse is deemed to have
28 permanently waived all rights and benefits pertaining to
29 the service credit ~~under this part and represented by the~~,
30 accumulated retirement contributions, *and the*
31 *accumulated Defined Benefit Supplement account*
32 *balance under this part* when the refund ~~becomes~~ *and*
33 *lump-sum payment become* effective.

34 (e) The nonmember spouse may not cancel a refund
35 *or lump-sum payment* under this part after ~~the refund~~ *it*
36 is effective.

37 (f) The nonmember spouse shall have no right to elect
38 to redeposit the refunded accumulated retirement
39 contributions under this part after the refund is effective
40 ~~and shall have no right~~, to redeposit under Section 22662



1 or purchase additional service credit under Section 22663
2 after the refund becomes effective, *or to redeposit the*
3 *accumulated Defined Benefit Supplement account*
4 *balance after the lump-sum payment becomes effective.*

5 (g) If the total service credit in the separate account
6 of the nonmember spouse under this part, including
7 service credit purchased under Sections 22662 and 22663,
8 is less than two and one-half years, the board shall refund
9 the accumulated retirement contributions in the
10 account.

11 *SEC. 41. Section 22662 of the Education Code is*
12 *amended to read:*

13 22662. The nonmember spouse who is awarded a
14 separate account under this part may redeposit
15 accumulated retirement contributions previously
16 refunded to the member in accordance with the
17 determination of the court pursuant to Section 22652.

18 (a) The nonmember spouse may redeposit under this
19 part only those accumulated retirement contributions
20 that were previously refunded to the member and in
21 which the court has determined the nonmember spouse
22 has a community property interest.

23 (b) The nonmember spouse shall inform the system in
24 writing of his or her intent to redeposit within 180 days
25 after the judgment or court order addressing the
26 redeposit rights of the nonmember spouse is entered. The
27 nonmember spouse ~~shall elect~~ *spouses' election* to
28 redeposit *shall be made* on a form provided by the system
29 within 30 days after the system mails an election form and
30 the billing.

31 (c) If the nonmember spouse elects to redeposit under
32 this part, he or she shall repay the *portion of the member's*
33 *refunded* accumulated retirement contributions *that*
34 *were awarded to the nonmember spouse* and shall pay
35 regular interest from the date of the refund to the date
36 of payment.

37 (d) An election to redeposit shall be considered an
38 election to repay all accumulated retirement
39 contributions previously refunded under this part in
40 which the nonmember spouse has a community property



1 interest. All payments shall be received by the system
2 before the effective date of *the nonmember spouse's*
3 retirement ~~of the nonmember spouse~~ under this part. If
4 any payment due because of the election is not received
5 at the system's office in Sacramento within 120 days of its
6 due date, the election shall be canceled and any payments
7 made under the election shall be returned to the
8 nonmember spouse.

9 (e) The right of the nonmember spouse to redeposit
10 shall be subject to Section 23203.

11 (f) The member shall not have a right to redeposit the
12 share of the nonmember spouse in the previously
13 refunded accumulated retirement contributions under
14 this part whether or not the nonmember spouse elects to
15 redeposit. However, any accumulated retirement
16 contributions previously refunded under this part and
17 not explicitly awarded to the nonmember spouse under
18 this part by the judgment or court order shall be deemed
19 the exclusive property of the member.

20 *SEC. 42. Section 22664 of the Education Code is*
21 *amended to read:*

22 22664. The nonmember spouse who is awarded a
23 separate account shall have the right to a service
24 retirement allowance *and, if applicable, a retirement*
25 *annuity* under this part.

26 (a) The nonmember spouse shall be eligible to retire
27 for service under this part if the following conditions are
28 satisfied:

29 (1) The member had at least five years of credited
30 service during the period of marriage, at least one year of
31 which had been performed subsequent to the most
32 recent refund to the member of accumulated retirement
33 contributions. The credited service may include service
34 credited to the account of the member as of the date of
35 the dissolution or legal separation, previously refunded
36 service, out-of-state service, and permissive service credit
37 that the member is eligible to purchase at the time of the
38 dissolution or legal separation.



1 (2) The nonmember spouse has at least two and
2 one-half years of credited service in his or her separate
3 account.

4 (3) The nonmember spouse has attained the age of 55
5 years or more.

6 (b) A service retirement allowance of a nonmember
7 spouse under this part shall become effective upon any
8 date designated by the nonmember spouse, provided:

9 (1) The requirements of subdivision (a) are satisfied.

10 (2) The nonmember spouse has filed an application for
11 service retirement on a form provided by the system, that
12 is executed no earlier than six months before the effective
13 date of the retirement allowance.

14 (3) The effective date is no earlier than the first day of
15 the month in which the application is received at the
16 system's office in Sacramento and the effective date is
17 after the date the judgment or court order pursuant to
18 Section 22652 was entered.

19 (c) (1) Upon service retirement at normal
20 retirement age under this part, the nonmember spouse
21 shall receive a retirement allowance that shall consist of
22 an annual allowance payable in monthly installments
23 equal to 2 percent of final compensation for each year of
24 credited service.

25 (2) If the nonmember spouse's retirement is effective
26 at less than normal retirement age and between early
27 retirement age under this part and normal retirement
28 age, the retirement allowance shall be reduced by
29 one-half of 1 percent for each full month, or fraction of a
30 month, that will elapse until the nonmember spouse
31 would have reached normal retirement age.

32 (3) If the nonmember spouse's service retirement is
33 effective at an age greater than normal retirement age
34 and is effective on or after January 1, 1999, the percentage
35 of final compensation for each year of credited service
36 shall be determined pursuant to the following table:

| 37 | 38 Age at Retirement | 39 Percentage |
|----|----------------------|---------------|
| 39 | 60 1/4 | 2.033 |
| 40 | 60 1/2 | 2.067 |



1 60 3/4 2.10
2 61 2.133
3 61 1/4 2.167
4 61 1/2 2.20
5 61 3/4 2.233
6 62 2.267
7 62 1/4 2.30
8 62 1/2 2.333
9 62 3/4 2.367
10 63 and over 2.40

11
12 (4) In computing the retirement allowance of the
13 nonmember spouse, the age of the nonmember spouse on
14 the last day of the month in which the retirement
15 allowance begins to accrue shall be used.

16 (5) Final compensation, for purposes of calculating the
17 service retirement allowance of the nonmember spouse
18 under this subdivision, shall be calculated according to
19 the definition of final compensation in Section 22134,
20 22135, or 22136, whichever is applicable, and shall be
21 based on the compensation earnable of the member up
22 to the date the parties separated, as established in the
23 judgment or court order pursuant to Section 22652.

24 The nonmember spouse shall not be entitled to use any
25 other calculation of final compensation.

26 (d) If the member is or was receiving a disability
27 allowance under this part with an effective date before or
28 on the date the parties separated as established in the
29 judgment or court order pursuant to Section 22652, or at
30 any time applies for and receives a disability allowance
31 with an effective date that is before or coincides with the
32 date the parties separated as established in the judgment
33 or court order pursuant to Section 22652, the nonmember
34 spouse shall not be eligible to retire until after the
35 disability allowance of the member terminates.

36 If the member who is or was receiving a disability
37 allowance returns to employment to perform creditable
38 service subject to coverage under the Defined Benefit
39 Program or has his or her allowance terminated under
40 Section 24015, the nonmember spouse may not be paid a



1 retirement allowance until at least six months after
2 termination of the disability allowance and the return of
3 the member to employment to perform creditable
4 service subject to coverage under the Defined Benefit
5 Program, or the termination of the disability allowance
6 and the employment or self-employment of the member
7 in any capacity, notwithstanding Section 22132. If at the
8 end of the six-month period, the member has not had a
9 recurrence of the original disability or has not had his or
10 her earnings fall below the amounts described in Section
11 24015, the nonmember spouse may be paid a retirement
12 allowance if all other eligibility requirements are met.

13 (1) The retirement allowance of the nonmember
14 spouse under this subdivision shall be calculated as
15 follows: the disability allowance the member was
16 receiving, exclusive of the ~~benefits~~ *portion* for dependent
17 children, shall be divided between the share of the
18 member and the share of the nonmember spouse. The
19 share of the nonmember spouse shall be the amount
20 obtained by multiplying the disability allowance,
21 exclusive of the ~~benefits~~ *portion* for dependent children,
22 by the years of service credited to the separate account
23 of the nonmember spouse, including service projected to
24 the date of separation, and dividing by the projected
25 service of the member. The nonmember spouse's
26 retirement allowance shall be the lesser of the share of the
27 nonmember spouse under this subdivision or the
28 retirement allowance under subdivision (c).

29 (2) The share of the member shall be the total
30 disability allowance reduced by the share of the
31 nonmember spouse. The share of the member shall be
32 considered the disability allowance of the member for
33 purposes of Section 24213.

34 (e) The nonmember spouse who receives a
35 retirement allowance is not a retired member under this
36 part. However, the allowance of the nonmember spouse
37 shall be increased by application of the improvement
38 factor and shall be eligible for the application of
39 supplemental increases and other benefit maintenance
40 provisions under this part, including, but not limited to,



1 Sections 24411, 24412, and 24415 based on the same
2 criteria used for the application of these benefit
3 maintenance increases to the service retirement
4 allowances of members.

5 *SEC. 43. Section 22665 of the Education Code is*
6 *amended to read:*

7 22665. The system shall include the service credit
8 awarded to a nonmember spouse in the judgment or
9 court order to determine the eligibility of a member for
10 a retirement or disability allowance under this part. That
11 portion of awarded service credit based on previously
12 refunded *accumulated retirement* contributions or on
13 permissive service credit may not be used by the member
14 for eligibility requirements until the member has
15 redeposited or purchased his or her portion of the service
16 credit. The member's service retirement allowance shall
17 be calculated based on the service credit in the member's
18 account on the effective date of service retirement.

19 *SEC. 44. Section 22706 of the Education Code is*
20 *amended to read:*

21 22706. A member shall not receive credit for service
22 performed while receiving a retirement or disability
23 allowance ~~from~~ *under the Defined Benefit Program or*
24 *while receiving a retirement or disability annuity under*
25 *the Defined Benefit Supplement Program.*

26 *SEC. 45. Section 22901.5 is added to the Education*
27 *Code, to read:*

28 22901.5. (a) Notwithstanding Section 22905, 25
29 percent of the member's contribution pursuant to
30 Section 22901 (2 percent of creditable compensation)
31 shall be credited to the member's Defined Benefit
32 Supplement account pursuant to Section 25004.

33 (b) *This section shall remain in effect only until*
34 *January 1, 2011, and as of that date is repealed, unless a*
35 *later enacted statute, that is enacted before January 1,*
36 *2011, deletes or extends that date.*

37 *SEC. 46. Section 22906 of the Education Code is*
38 *repealed.*

39 ~~22906. If at the time of retirement, disability, or death,~~
40 ~~there are contributions remaining to the credit of the~~



1 ~~member that were made with respect to time on the basis~~
2 ~~of which a benefit will not be payable under this part, the~~
3 ~~board shall refund the contributions as it may allocate to~~
4 ~~the time.~~

5 *SEC. 47. Section 22906 is added to the Education*
6 *Code, to read:*

7 *22906. A member's accumulated retirement*
8 *contributions that were made with respect to service that*
9 *was erroneously credited under the Defined Benefit*
10 *Program shall be returned to the member.*

11 *SEC. 48. Section 23100 of the Education Code is*
12 *amended to read:*

13 *23100. (a) Upon the termination of a member's*
14 *employment by any cause other than death, disability, or*
15 *retirement there shall be paid to the member, pursuant*
16 *to this part, both each of the following:*

17 *(1) The member's accumulated retirement*
18 *contributions made after June 30, 1935.*

19 *(2) The member's accumulated annuity deposit*
20 *contributions.*

21 *(3) An amount equal to the balance of credits in the*
22 *member's Defined Benefit Supplement account.*

23 *(b) Accumulated retirement contributions and*
24 *accumulated annuity deposit contributions shall include*
25 *credited interest through the date of payment.*

26 *SEC. 49. Section 23300 of the Education Code is*
27 *repealed.*

28 ~~*23300. (a) A member of the Defined Benefit*~~
29 ~~*Program may at any time designate a beneficiary, or*~~
30 ~~*change the designation of a beneficiary, to receive*~~
31 ~~*benefits payable under this part, except that no*~~
32 ~~*beneficiary designation may be made in derogation of the*~~
33 ~~*community property share of any nonmember spouse*~~
34 ~~*under this part when any such benefit is derived, in whole*~~
35 ~~*or in part, from community property contributions or*~~
36 ~~*service credited during the period of marriage, unless the*~~
37 ~~*nonmember spouse has previously obtained an*~~
38 ~~*alternative order for distribution pursuant to Section 2610*~~
39 ~~*of the Family Code. A designation of beneficiary shall be*~~
40 ~~*in writing on a form prescribed by the system, executed*~~



1 ~~by the member, witnessed by two witnesses, neither of~~
2 ~~whom may be beneficiaries. To be valid the instrument~~
3 ~~shall be received in the office of the system in Sacramento~~
4 ~~before the member's death.~~

5 ~~(b) Except as otherwise stated in this section, the~~
6 ~~designation of beneficiary, other than an option~~
7 ~~beneficiary, may be revoked by the member making the~~
8 ~~designation, and a different beneficiary designated in the~~
9 ~~same manner as provided in this section.~~

10 *SEC. 50. Section 23300 is added to the Education*
11 *Code, to read:*

12 *23300. (a) A member of the Defined Benefit*
13 *Program may designate a beneficiary to receive benefits*
14 *payable under this part upon the member's death. A*
15 *beneficiary designation may not be made in derogation*
16 *of a nonmember spouse's community property interest*
17 *with respect to service or contributions credited under*
18 *this part unless the nonmember spouse has previously*
19 *obtained an alternative order pursuant to Section 2610 of*
20 *the Family Code.*

21 *(b) A member shall make separate designations for*
22 *benefits payable under the Defined Benefit Program and*
23 *the Defined Benefit Supplement Program. Each*
24 *designation shall be in writing on a form prescribed by*
25 *the system, executed by the member, and witnessed by*
26 *two witnesses who are not designated as beneficiary for*
27 *benefits payable under either the Defined Benefit*
28 *Program or the Defined Benefit Supplement Program. A*
29 *member may designate the same beneficiary for benefits*
30 *payable under the Defined Benefit Program and the*
31 *Defined Benefit Supplement Program, or may designate*
32 *a different beneficiary for each.*

33 *(c) A beneficiary designation shall not be valid unless*
34 *it is received in the office of the system in Sacramento*
35 *prior to the member's death.*

36 *(d) A member may change or revoke a beneficiary*
37 *designation at any time by making a new designation*
38 *pursuant to this section.*



1 (e) This section shall not be applicable to the
2 designation of an option beneficiary or an annuity
3 beneficiary under this part.

4 SEC. 51. Section 23881 of the Education Code is
5 repealed.

6 ~~23881. (a) Upon receipt of proof of death of a retired
7 member who retired under this part after June 30, 1972,
8 and of the retired member's option beneficiary, if the
9 total retirement allowance paid or payable is less than the
10 amount of the member's accumulated retirement
11 contributions at the time of retirement, the remaining
12 balance of accumulated retirement contributions shall be
13 paid to the beneficiary, if no option was elected, or to the
14 estate of the option beneficiary, if an option was elected.~~

15 ~~(b) Payments provided under this section shall
16 include credited interest on the unpaid balance
17 calculated from the date the last allowance payment was
18 made to the date the balance is paid.~~

19 SEC. 52. Section 23881 is added to the Education
20 Code, to read:

21 23881. (a) If upon receipt of proof of death of a
22 retired member who was receiving an unmodified
23 allowance and who retired under this part after June 30,
24 1972, there is a remaining balance of the member's
25 accumulated retirement contributions, the balance shall
26 be paid to the member's beneficiary.

27 (b) Upon receipt of proof of death of a retired
28 member's option beneficiary after the beneficiary begins
29 to receive an allowance, the remaining balance of a
30 member's accumulated retirement contributions, if any,
31 shall be paid to the beneficiary designated by the option
32 beneficiary to receive that payment.

33 (c) The remaining balance of a retired member's
34 accumulated retirement contributions shall be the
35 difference between the balance of the accumulated
36 retirement contributions on the effective date of the
37 member's retirement and the total retirement allowance
38 paid or payable to the retired member on the date of the
39 member's death. If the retired member predeceased the
40 option beneficiary, the remaining balance of the retired



1 member's accumulated retirement contributions shall be
2 the difference between the balance of the accumulated
3 retirement contributions on the effective date of the
4 member's retirement and the total retirement allowance
5 paid or payable to the retired member and the option
6 beneficiary on the date of the option beneficiary's death.

7 (d) Payments pursuant to this section shall include
8 interest on the remaining balance of accumulated
9 retirement contributions calculated from the date the last
10 allowance payment was made to the date the remaining
11 balance of accumulated retirement contributions is paid.

12 SEC. 53. Section 24202.5 of the Education Code is
13 amended to read:

14 24202.5. (a) A member who retires for service on or
15 after January 1, 1999, shall receive a retirement allowance
16 consisting of all of the following:

17 (1) An annual allowance payable in monthly
18 installments, upon retirement equal to the percentage of
19 the final compensation set forth opposite the member's
20 age at retirement in the following table multiplied by
21 each year of credited service:

| 22 | 23 Age at Retirement | 23 Percentage |
|----|----------------------|---------------|
| 24 | 60 | 2.00 |
| 25 | 60 1/4 | 2.033 |
| 26 | 60 1/2 | 2.067 |
| 27 | 60 3/4 | 2.10 |
| 28 | 61 | 2.133 |
| 29 | 61 1/4 | 2.167 |
| 30 | 61 1/2 | 2.20 |
| 31 | 61 3/4 | 2.233 |
| 32 | 62 | 2.267 |
| 33 | 62 1/4 | 2.30 |
| 34 | 62 1/2 | 2.333 |
| 35 | 62 3/4 | 2.367 |
| 36 | 63 and over | 2.40 |

37
38 ~~(2) If~~

39 If the member's retirement is effective at less than
40 normal retirement age and between early retirement age



1 and normal retirement age, the member's allowance shall
2 be reduced by one-half of 1 percent for each full month,
3 or fraction of a month that will elapse until the member
4 will attain normal retirement age.

5 ~~(3)~~

6 (2) An annuity that shall be the actuarial equivalent of
7 the *member's* accumulated annuity deposit
8 contributions—standing to the credit of the member's
9 ~~account~~ at the time of retirement.

10 (3) *An annuity based on the balance of credits in the*
11 *member's Defined Benefit Supplement account,*
12 *pursuant to Section 25012, if elected by the member*
13 *pursuant to Section 25011.*

14 (b) In computing the amounts described in *paragraph*
15 *(1)* of subdivision (a), the age of the member on the last
16 day of the month in which the retirement allowance
17 begins to accrue or the later date as provided in Section
18 24204 shall be used.

19 *SEC. 54. Section 24206 of the Education Code is*
20 *amended to read:*

21 24206. The minimum unmodified allowance for
22 *service retirement under the Defined Benefit Program,*
23 *exclusive of annuities payable from accumulated annuity*
24 *deposit contributions—payable for service retirement*
25 ~~*under this part*~~ *and exclusive of the balance of credits in*
26 *the member's Defined Benefit Supplement account,* shall
27 not be less than ten dollars (\$10) per month multiplied by
28 the *member's* years of credited service. This guaranteed
29 amount shall be reduced by the amount of an unmodified
30 allowance payable from a local system based on service
31 credited under—~~this part~~ *the Defined Benefit Program.* If
32 the retirement is effective at less than age 60 years this
33 allowance shall be reduced by one-half of 1 percent for
34 each full month or fraction of a month that will elapse
35 until the member would have reached age 60 years.

36 *SEC. 55. Section 24300.5 is added to the Education*
37 *Code, to read:*

38 24300.5. *An option beneficiary who is receiving an*
39 *allowance pursuant to the option elected by the member*
40 *may designate a beneficiary to receive any remaining*



1 *balance of the retired member's accumulated retirement*
2 *contributions payable pursuant to Section 23881 upon the*
3 *death of the option beneficiary.*

4 *SEC. 56. Section 24305.3 is added to the Education*
5 *Code, to read:*

6 *24305.3. (a) A member who is receiving a joint and*
7 *survivor annuity under the Defined Benefit Supplement*
8 *Program may change the annuity or the annuity*
9 *beneficiary elected pursuant to Section 25011 or 25018*
10 *provided all of the following conditions are met:*

11 *(1) The annuity beneficiary is the member's spouse or*
12 *former spouse.*

13 *(2) A final decree of dissolution of marriage is granted,*
14 *or a judgment of nullity is entered, or an order of separate*
15 *maintenance is made by a court of competent jurisdiction*
16 *with respect to the member and the spouse or former*
17 *spouse on or after the beginning of the initial plan year*
18 *designated by the board pursuant to Section 22156.05.*

19 *(3) The change is consistent with the final decree of*
20 *dissolution, judgment of nullity, or order of separate*
21 *maintenance.*

22 *(b) A member may change the annuity pursuant to*
23 *subdivision (a) before or after the first annuity payment*
24 *is issued.*

25 *(c) The member shall notify the system in writing of*
26 *the change in the annuity. The notification shall not be*
27 *earlier than the effective date of the final decree of*
28 *dissolution, judgment of nullity, or order of separate*
29 *maintenance and shall include a certified copy of the final*
30 *decree of dissolution, judgment of nullity, or order of*
31 *separate maintenance, and any property settlement*
32 *agreement.*

33 *(d) A change in the annuity or annuity beneficiary or*
34 *both shall become effective on the date the notification*
35 *of change is received by the system. The annuity amount*
36 *payable to the member upon the change elected by the*
37 *member shall be determined as of the effective date of*
38 *the change and shall be the actuarial equivalent of the*
39 *lump-sum that would otherwise be payable to the*
40 *member as of the date of the change. If the member elects*



1 *a joint and survivor annuity, the amount payable under*
2 *the annuity shall be modified consistent with the annuity*
3 *elected by the member.*

4 *SEC. 57. Section 24402 of the Education Code is*
5 *amended to read:*

6 24402. (a) Service retirement allowances,
7 *retirement annuities, disability allowances, disability*
8 *retirement allowances, disability annuities, family*
9 *allowances, and survivor benefit allowances payable*
10 *pursuant to this part shall be increased by application of*
11 *the benefit improvement factor.*

12 (b) Allowances payable to beneficiaries on account of
13 options elected under Section 24300, 24301, or 24307 *and*
14 *annuities payable to annuity beneficiaries under the*
15 *Defined Benefit Supplement Program* shall be increased
16 by application of the improvement factor. This factor
17 shall be applicable on the same date when it would have
18 been applied to the allowance of the deceased person.

19 (c) The benefit improvement factor shall not be
20 applied to an annuity that is the actuarial equivalent of
21 the accumulated annuity deposit contributions standing
22 to the credit of the member's account on the effective
23 date of a service or disability retirement.

24 *SEC. 58. Section 24411 of the Education Code is*
25 *amended to read:*

26 24411. (a) (1) Annual cost-of-living adjustments for
27 retired members, disabled members, and beneficiaries in
28 excess of the 2-percent adjustment authorized by Section
29 22140 may be included as a General Fund appropriation
30 in the annual Budget Act. In the annual budget submitted
31 to the Legislature, the Governor shall include a budget
32 item equal to 5 percent of the average annualized
33 statewide increase in payroll for certificated personnel
34 over the three previous school years among school
35 districts, county offices of education, and community
36 college districts.

37 (2) The amount submitted in the annual Budget Act
38 pursuant to this section shall be considered as part of the
39 overall budget allocations to the public schools and
40 community colleges.



1 (b) The annual appropriation shall be made to the
2 system on July 1, and shall be placed in a segregated
3 account called the Retirees' Purchasing Power
4 Protection Account. The proceeds of that account are
5 continuously appropriated and shall be distributed
6 annually in quarterly payments commencing on
7 September 1 to retired members, disabled members, and
8 beneficiaries *under the Defined Benefit Program* as
9 follows:

10 (1) The proceeds shall be allocated among those
11 retired members, disabled members, and beneficiaries
12 *under the Defined Benefit Program* whose allowances,
13 after applying the 2-percent adjustment authorized by
14 Section 22140, have the lowest purchasing power
15 percentage, based on the amount that would be paid had
16 the original allowance been increased by the increases in
17 the index then being used by the Department of Finance
18 to measure changes in the cost of living, increasing those
19 allowances to a common minimum purchasing power
20 level. In any year in which the purchasing power of the
21 allowances of all retired members, disabled members,
22 and beneficiaries *under the Defined Benefit Program*
23 equals not less than 75 percent and additional funds
24 remain from the allocation authorized by this section,
25 those funds shall be allocated by the board to general
26 accounts to reduce the unfunded actuarial liability of the
27 fund.

28 (2) The board may deduct from the annual
29 appropriation an amount necessary for administrative
30 expenses to implement this section.

31 (c) The board shall inform each recipient of ~~benefits~~
32 *an allowance* under subdivision (b) that the increases are
33 not cumulative, are not part of the base allowance, and
34 shall be available only as appropriated annually in the
35 Budget Act.

36 (d) The adjustments authorized by this section shall
37 not be included in the base allowance for purposes of
38 calculating the 2-percent adjustment authorized by
39 Section 22140.



1 (e) It is the ultimate intent and purpose of the
2 Legislature in amending this section by Chapters 323 and
3 780 of the Statutes of 1983, to achieve a common
4 minimum purchasing power level equal to 75 percent of
5 the purchasing power of the original allowance. It is the
6 present intent of the Legislature that until adequate
7 funds are available to fulfill the ultimate intent, those
8 persons whose allowances have been most impacted by
9 inflation shall be accorded first priority in receiving,
10 pursuant to this section, supplemental cost-of-living
11 adjustments from the Retirees' Purchasing Power
12 Protection Account.

13 (f) This section shall not be operative in any fiscal year
14 during which, as determined by the board, distributions
15 provided for by Section 24415 are being made.

16 *SEC. 59. Section 24412 of the Education Code is*
17 *amended to read:*

18 24412. (a) The annual revenues deposited to the
19 Teachers' Retirement Fund pursuant to Section 6217.5 of
20 the Public Resources Code are continuously appropriated
21 without regard to fiscal year for the purposes of this
22 section and shall be distributed annually in quarterly
23 supplemental payments commencing on September 1 of
24 each year to retired members, disabled members, and
25 beneficiaries *under the Defined Benefit Program*. The
26 amount available for distribution in any year shall be the
27 income for that year from the sale or use of school lands
28 and lieu lands, as estimated by the State Lands
29 Commission prior to the beginning of the fiscal year,
30 adjusted by the difference between the estimated and
31 actual income for the preceding fiscal year. The board
32 shall deduct from the revenues an amount necessary for
33 administrative expenses to implement this section.

34 (b) The net revenues to be distributed shall be
35 allocated among those retired members, disabled
36 members, and beneficiaries, *as defined in subdivision (a)*
37 *of Section 22107*, whose allowances *under the Defined*
38 *Benefit Program*, after sequentially applying the annual
39 improvement factor as defined in Section 22140 and the
40 annual supplemental payment as—~~defined~~ *specified* in



1 Section 24411, if any, are below 75 percent of *the* original
2 purchasing power. The purchasing power calculation for
3 each individual allowance shall be based on the change in
4 the All Urban California Consumer Price Index between
5 June of the calendar year of retirement and June of the
6 fiscal year preceding the fiscal year of the distribution.
7 The allocation shall provide a pro rata share of the amount
8 needed to restore the allowance payable, after sequential
9 application of the current year annual improvement
10 factor and the supplemental payment under Section
11 24411, to 75 percent of *the* original purchasing power.

12 (c) The allowance increase shall not be applicable to
13 annuities payable from the accumulated annuity deposit
14 contributions or the accumulated tax-sheltered annuity
15 contributions.

16 (d) In any year that the net revenues from school lands
17 and lieu lands is greater than that needed to adjust the
18 allowances of all retired members, disabled members,
19 and beneficiaries, *as defined in subdivision (a) of Section*
20 *22107, under the Defined Benefit Program* to 75 percent
21 of *the* original purchasing power, the net revenues in
22 excess of that needed for distribution shall be used by the
23 board to reduce the unfunded actuarial obligation of the
24 fund.

25 (e) The board shall inform each recipient of
26 supplemental payments under this section that the
27 increases are not cumulative and are not part of the base
28 allowance.

29 *SEC. 60. Section 24415 of the Education Code is*
30 *amended to read:*

31 24415. (a) The proceeds of the Supplemental Benefit
32 Maintenance Account shall be distributed annually in
33 quarterly supplemental payments commencing on
34 September 1, 1990, to retired members, disabled
35 members, and beneficiaries, *as defined in subdivision (a)*
36 *of Section 22107.* The amount available for distribution in
37 any fiscal year shall not exceed the amount necessary to
38 restore purchasing power up to 75 percent of the
39 purchasing power of the initial monthly allowance after



1 the application of all allowance increases authorized by
2 this part, including those specified in Section 24412.

3 (b) The net revenues to be distributed shall be
4 allocated among those retired members, disabled
5 members, and beneficiaries, *as defined in subdivision (a)*
6 *of Section 22107*, whose allowances, after sequentially
7 applying the annual improvement factor as defined in
8 Sections 22140 and 22141, and the annual supplemental
9 payment ~~as defined~~ *specified* in Section 24412, have the
10 lowest purchasing power percentage. The purchasing
11 power calculation for each individual shall be based on
12 the change in the All Urban California Consumer Price
13 Index between June of the calendar year of retirement
14 and June of the fiscal year preceding the fiscal year of
15 distribution. In any year in which the purchasing power
16 of the allowances of all retired members, disabled
17 members, and beneficiaries, *as defined in subdivision (a)*
18 *of Section 22107*, equals not less than 75 percent and
19 additional funds remain from the allocation authorized
20 by this section, those funds shall remain in the
21 Supplemental Benefit Maintenance Account for
22 allocation in future years.

23 (c) The allowance increase shall not be applicable to
24 annuities payable from the accumulated annuity deposit
25 contributions or the accumulated tax-sheltered annuity
26 contributions.

27 (d) The ~~benefits~~ *increases* provided by subdivision (b)
28 are not cumulative, not part of the base allowance, and
29 will be payable only to the extent that funds are available
30 from the Supplemental Benefit Maintenance Account.
31 The board shall inform each recipient of the contents of
32 this subdivision.

33 (e) The adjustments authorized by this section are
34 vested only up to the amount payable as a result of the
35 annual appropriation made pursuant to Section 22954 and
36 shall not be included in the base allowance for purposes
37 of calculating the annual improvement defined by
38 Sections 22140 and 22141.

39 *SEC. 61. Section 24417 of the Education Code is*
40 *amended to read:*



1 24417. (a) The proceeds of an auxiliary
2 Supplemental Benefit Maintenance Account shall be
3 distributed annually in quarterly supplemental
4 payments, commencing when funds in the Supplemental
5 Benefit Maintenance Account are insufficient to support
6 75 percent, to retired members, disabled members, and
7 beneficiaries, *as defined in subdivision (a) of Section*
8 *22107*. The amount available for distribution in any fiscal
9 year shall not exceed the amount necessary to restore
10 purchasing power up to 75 percent of the purchasing
11 power of the initial monthly allowance after the
12 application of all allowance increases authorized by this
13 part, including those specified in ~~Section~~ *Sections* 24412
14 and ~~Section~~ 24415.

15 (b) The net revenues to be distributed shall be
16 allocated among those retired members, disabled
17 members, and beneficiaries, *as defined in subdivision (a)*
18 *of Section 22107*, whose allowances, after sequentially
19 applying the annual improvement factor as defined in
20 Sections 22140 and 22141, and the annual supplemental
21 payment as ~~defined~~ *specified in* ~~Section~~ *Sections* 24412
22 and ~~Section~~ 24415, have the lowest purchasing power
23 percentage. The purchasing power calculation for each
24 individual shall be based on the change in the All Urban
25 California Consumer Price Index between June of the
26 calendar year of *the* benefit effective date and June of the
27 fiscal year preceding the fiscal year of distribution.

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

32 (d) The ~~benefits~~ *increases* provided by subdivision (b)
33 are not cumulative, nor part of the base allowance, and
34 will be payable only to the extent that funds are available
35 from the Supplemental Benefit Maintenance Account
36 and the auxiliary Supplemental Benefit Maintenance
37 Account. The board shall inform each recipient of the
38 contents of this subdivision.

39 (e) The distributions authorized by this section are
40 vested only up to the amount payable as a result of the



1 annual appropriation made pursuant to Section 22954 and
2 shall not be included in the base allowance for purposes
3 of calculating the annual improvement defined by
4 ~~Section~~ Sections 22140 and 22141.

5 *SEC. 62. Section 24600 of the Education Code is*
6 *amended to read:*

7 24600. (a) A retirement allowance under this part
8 begins to accrue on the effective date of the member's
9 retirement and ceases on the earlier of the day of the
10 member's death or the day on which the retirement
11 allowance *is* terminated for a reason other than the
12 member's death.

13 (b) A retirement allowance payable to an option
14 beneficiary under this part begins to accrue on the day
15 following the day of the retired member's death and
16 ceases on the day of the option beneficiary's death.

17 (c) A disability allowance under this part begins to
18 accrue on the effective date of the member's disability
19 and ceases on the earlier of the day of the member's death
20 or the day on which the disability allowance *is* terminated
21 for a reason other than the member's death.

22 (d) A family allowance under this part begins to
23 accrue on the day following the day of the member's
24 death and ceases on the day of the event that terminates
25 eligibility for the allowance.

26 (e) A survivor benefit allowance payable to a
27 surviving spouse under this part pursuant to Chapter 23
28 (commencing with Section 23850) begins to accrue on
29 the day the member would have attained 60 years of age
30 or on the day following the day of the member's death, as
31 elected by the surviving spouse, and ceases on the day of
32 the surviving spouse's death.

33 (f) A child's portion of an allowance under this part
34 begins to accrue on the effective date of that allowance
35 and ceases on the earlier of either the termination of the
36 child's eligibility or the termination of the allowance. An
37 allowance payable because of a full-time student shall
38 terminate on the first day of the month following the end
39 of the school quarter or semester that is in progress in the
40 month the full-time student attains 22 years of age. Any



1 adjustment to an allowance because of a full-time
2 student's periods of nonattendance shall be made as
3 follows: the allowance shall cease on the first day of the
4 month in which return to full-time attendance was
5 required and shall begin to accrue again on the first day
6 of the month in which full-time attendance resumes.

7 (g) Supplemental payments issued under this part
8 pursuant to Sections 24701, 24702, and 24703 to retired
9 members, disabled members, and beneficiaries shall
10 begin to accrue pursuant to Sections 24701, 24702, and
11 24703 and shall cease to accrue as of the termination dates
12 specified in subdivisions (a) to (f), inclusive.

13 (h) Notwithstanding any other provision of this part or
14 other law, distributions ~~from payable under~~ the plan with
15 respect to the Defined Benefit Program *and the Defined*
16 *Benefit Supplement Program* shall be made in
17 accordance with ~~Section 401(a)(9)~~ *applicable provisions*
18 of the Internal Revenue Code of 1986, as amended,
19 ~~including the incidental death benefit requirements of~~
20 ~~Section 401(a)(9)(G)~~ and ~~the~~ *related* regulations
21 ~~thereunder, and the~~. *The* required beginning date of
22 benefit payments that represent the entire interest of the
23 member in the plan with respect to the Defined Benefit
24 Program *and the Defined Benefit Supplement Program*
25 shall be ~~as follows~~ *either*:

26 (1) In the case of a refund of contributions, as
27 described in Chapter ~~12~~ 18 (commencing with Section
28 23100) of this part, *and distribution of an amount equal to*
29 *the balance of credits in a member's Defined Benefit*
30 *Supplement account, as described in Chapter 38*
31 *(commencing with Section 25000) of this part*, not later
32 than April 1 of the calendar year following the later of (A)
33 the calendar year in which the member attains 70 1/2
34 years of age or (B) the calendar year in which the
35 member terminates employment within the meaning of
36 subdivision (i).

37 (2) In the case of a retirement allowance, as defined in
38 Section ~~22150~~ 22166, beginning not later than April 1 of
39 the calendar year following the later of (A) the calendar
40 year in which the member attains 70 1/2 years of age or



1 (B) the calendar year in which the member terminates
2 employment within the meaning of subdivision (i), to
3 continue over the life of the member or the lives of the
4 member and the member's option beneficiary, or over
5 the life expectancy of the member or the life expectancy
6 of the member and the member's option beneficiary.

7 (i) For purposes of subdivision (h), "terminates
8 employment" means the later of ~~the termination of~~
9 ~~employment subject to coverage by the Defined Benefit~~
10 ~~Program or the termination of employment in a position~~
11 ~~requiring or permitting membership in another public~~
12 ~~retirement system in this state the compensation from~~
13 ~~which may be included in final compensation under~~
14 ~~Section 22127.~~

15 ~~(j) This section shall become operative on January 1,~~
16 ~~2002:~~

17 *(1) The date the member ceases to perform creditable*
18 *service subject to coverage under this plan.*

19 *(2) The date the member ceases employment in a*
20 *position subject to coverage under another public*
21 *retirement system in this state if the compensation*
22 *earnable while a member of the other system may be*
23 *considered in the determination of final compensation*
24 *pursuant to Section 22134, 22135, or 22136.*

25 *SEC. 63. Section 25000 of the Education Code is*
26 *amended and renumbered to read:*

27 ~~25000.~~

28 *25900. (a) The State Teachers' Retirement System*
29 *shall develop a program to provide health care benefits*
30 *for members, beneficiaries, children, and dependent*
31 *parents.*

32 *(b) All costs incurred by the system pursuant to this*
33 *part shall be paid by allocations from the Teachers'*
34 *Retirement Fund as appropriated for that purpose.*

35 *(c) The health care benefits program developed by*
36 *the system pursuant to this part shall not be implemented*
37 *by the system unless specifically authorized by a statute*
38 *enacted by the Legislature.*

39 *SEC. 64. Section 25100 of the Education Code is*
40 *amended and renumbered to read:*



1 ~~25100.~~

2 25901. Unless the context otherwise requires, the
3 definitions set forth in this chapter govern the
4 construction of this part.

5 *SEC. 65. Section 25110 of the Education Code is*
6 *amended and renumbered to read:*

7 ~~25110.~~

8 25910. “Beneficiary” or “beneficiaries” means any
9 person or entity receiving or entitled to receive an
10 allowance and payment pursuant to Part 13
11 (commencing with Section 22000) or 14 (commencing
12 with Section 26000) because of the disability or death of
13 a member.

14 *SEC. 66. Section 25115 of the Education Code is*
15 *amended and renumbered to read:*

16 ~~25115.~~

17 25915. (a) “Dependent child” or “dependent
18 children” means a member’s unmarried offspring or
19 stepchild who is not older than 22 years of age and who
20 is financially dependent upon the member on the date
21 the member becomes eligible for benefits pursuant to this
22 part.

23 (b) “Offspring” shall include the member’s child who
24 is born within the 10-month period commencing on the
25 date the member becomes eligible for benefits pursuant
26 to this part.

27 (c) “Offspring” shall include a child adopted by the
28 member.

29 (d) “Dependent child” shall not include the member’s
30 offspring or stepchild who is adopted by a person other
31 than the member’s spouse.

32 (e) “Financially dependent,” for purposes of this
33 section, means that at least one-half of the child’s support
34 was being provided by the member on the date the
35 member became eligible for benefits pursuant to this
36 part. The system may require that income tax records or
37 other data be submitted to substantiate the child’s
38 financial dependence. In the absence of substantiating
39 documentation, the system may determine that the child



1 was not dependent on the date the member became
2 eligible for benefits pursuant to this part.

3 *SEC. 67. Section 25120 of the Education Code is*
4 *amended and renumbered to read:*

5 ~~25120.~~

6 25920. “Dependent parent” or “dependent parents”
7 means a natural parent or parents of a member, or a
8 parent or parents who adopted the member prior to the
9 earlier of the occurrence of the member’s marriage or his
10 or her attaining 18 years of age, and who was receiving
11 one-half or more of his or her support from the member
12 at the time the member became eligible for benefits
13 pursuant to this part.

14 *SEC. 68. Section 25125 of the Education Code is*
15 *amended and renumbered to read:*

16 ~~25125.~~

17 25925. “Member” means a current or retired
18 employee of an employer, as defined in Section 22131.

19 *SEC. 69. Chapter 38 (commencing with Section*
20 *25000) is added to Part 13 of Division 1 of Title 1 of the*
21 *Education Code, to read:*

22

23 *CHAPTER 38. DEFINED BENEFIT SUPPLEMENT PROGRAM*

24

25 *Article 1. General Provisions*

26

27 25000. *The Defined Benefit Supplement Program is*
28 *hereby established to provide supplemental benefits for*
29 *members of the Defined Benefit Program. The Teachers’*
30 *Retirement Board shall administer the Defined Benefit*
31 *Supplement Program in accordance with the provisions*
32 *of this chapter.*

33 25000.5. *The design and administration of the*
34 *Defined Benefit Supplement Program shall comply with*
35 *the applicable provisions of the Internal Revenue Code*
36 *and the Revenue and Taxation Code. The board may*
37 *amend the plan with respect to the Defined Benefit*
38 *Supplement Program to do any of the following:*

39 (a) *Comply with applicable federal law and*
40 *regulations to the extent permitted by law.*



- 1 **(b)** *Adopt or amend actuarial assumptions.*
- 2 **(c)** *Designate the initial plan year.*
- 3 **(d)** *Establish and revise the minimum interest rate.*
- 4 **(e)** *Declare an additional earnings credit.*
- 5 **(f)** *Declare an additional annuity credit.*
- 6 25000.7. **(a)** *A member shall have a vested right to a*
- 7 *benefit under the Defined Benefit Supplement Program*
- 8 *in an amount equal to the balance of credits in the*
- 9 *member’s Defined Benefit Supplement account. That*
- 10 *right shall accrue when the member’s Defined Benefit*
- 11 *Supplement account is established pursuant to Section*
- 12 *25004.*
- 13 **(b)** *If a person becomes entitled to a distribution from*
- 14 *the program under this part that constitutes an eligible*
- 15 *rollover distribution within the meaning of Section*
- 16 *401(a)(31) of Title 26 of the United States Code, the*
- 17 *person may elect, under terms and conditions established*
- 18 *by the board, to have the distribution or a portion thereof*
- 19 *paid directly to a plan that constitutes an eligible*
- 20 *retirement plan within the meaning of Section*
- 21 *401(a)(31), as specified by that person. Upon the exercise*
- 22 *of the election by a person with respect to a distribution*
- 23 *or a portion thereof, the distribution from the program of*
- 24 *the amount so designated, once distributable under the*
- 25 *terms of the program, shall be made in the form of a direct*
- 26 *rollover to the eligible retirement plan so specified.*

27

28 *Article 2. Program Accounts*

29

30 25001. **(a)** *The board shall establish a segregated*

31 *account within the retirement fund to be known as the*

32 *Gain and Loss Reserve, and the board shall have sole*

33 *authority over the reserve. The Gain and Loss Reserve*

34 *shall be maintained for the Defined Benefit Supplement*

35 *Program and may be used to credit interest at the*

36 *minimum interest rate for plan years in which the board*

37 *determines that the obligation cannot be met from*

38 *investment earnings. The Gain and Loss Reserve may also*

39 *be used to provide additions to the Annuitant Reserve for*



1 *monthly annuities payable under the Defined Benefit*
2 *Supplement Program.*

3 *(b) The board shall establish a goal for the balance of*
4 *the Gain and Loss Reserve and periodically shall review*
5 *the sufficiency of the reserve based on the*
6 *recommendations of the actuary.*

7 *(c) The board may allocate excess earnings of the plan*
8 *with respect to assets attributable to the Defined Benefit*
9 *Supplement Program to the Gain and Loss Reserve. Upon*
10 *the recommendation of the actuary, the board shall*
11 *determine annually the amount, if any, that is to be*
12 *allocated to the Gain and Loss Reserve for that plan year.*
13 *That determination shall be made upon recommendation*
14 *of the actuary after adoption of the actuarial valuation*
15 *undertaken following the plan year pursuant to Section*
16 *22311.5, but no later than June 30 following the end of the*
17 *plan year. In determining whether to allocate excess*
18 *earnings to the Gain and Loss Reserve, the board shall*
19 *consider all of the following:*

20 *(1) Whether or not the plan has excess earnings*
21 *attributable to the Defined Benefit Supplement*
22 *Program.*

23 *(2) The sufficiency of the Gain and Loss Reserve in*
24 *light of the goal established pursuant to subdivision (b).*

25 *(3) The amount required for the plan's administrative*
26 *costs with respect to the Defined Benefit Supplement*
27 *Program.*

28 *(4) The amount required for crediting members'*
29 *accounts at the minimum interest rate.*

30 *25002. The board shall establish and maintain a*
31 *segregated account within the retirement fund to be*
32 *known as the Annuitant Reserve and the board shall have*
33 *sole authority over the reserve. The Annuitant Reserve*
34 *shall be used for the payment of annuities under the*
35 *Defined Benefit Supplement Program. The board shall*
36 *transfer the balance in a member's accumulated Defined*
37 *Benefit Supplement account to the reserve when a*
38 *benefit is to be paid as an annuity.*



1 25003. *The board may transfer amounts between the*
2 *Gain and Loss Reserve and the Annuitant Reserve upon*
3 *the recommendation of the actuary.*

4 25004. *Member accounts under the Defined Benefit*
5 *Supplement Program shall be nominal accounts. Member*
6 *contributions and employer contributions on behalf of*
7 *the member that are specifically identified as creditable*
8 *to the Defined Benefit Supplement Program shall be*
9 *treated as credits to the member's Defined Benefit*
10 *Supplement account, together with interest credited at*
11 *the minimum interest rate and additional earnings credit*
12 *thereon. The balance of credits in a member's account*
13 *shall determine the amount to which the member is*
14 *entitled under the Defined Benefit Supplement Program*
15 *upon termination of employment subject to coverage by*
16 *the plan. The member shall not have a right or claim to*
17 *any specific assets of the account, program, plan, or*
18 *retirement fund.*

19 25005. (a) *Prior to July 1 of the initial plan year, and*
20 *prior to the beginning of each plan year thereafter, the*
21 *board shall adopt a plan amendment with respect to the*
22 *Defined Benefit Supplement Program to declare the rate*
23 *at which interest shall be credited to Defined Benefit*
24 *Supplement accounts for the following plan year.*

25 (b) *The minimum interest rate declared annually by*
26 *the board shall be in accordance with applicable federal*
27 *laws and related regulations and shall not be less than the*
28 *rate at which interest is credited under the Defined*
29 *Benefit Program.*

30 (c) *Interest shall be credited to Defined Benefit*
31 *Supplement accounts and shall be computed at the*
32 *minimum interest rate on the balance of credits in a*
33 *member's account and shall be compounded daily.*

34 (d) *Credited interest shall not be applied to the*
35 *balance of credits in a member's Defined Benefit*
36 *Supplement account that has been transferred to the*
37 *Annuitant Reserve.*

38 25006. (a) *The board may declare an additional*
39 *earnings credit to be applied to Defined Benefit*
40 *Supplement accounts for a plan year. Prior to declaring*



1 *an additional earnings credit, the board shall consider all*
2 *of the following:*

3 *(1) Whether the plan's investment earnings with*
4 *respect to the Defined Benefit Supplement Program for*
5 *the plan year exceed the amount required to meet the*
6 *liabilities identified in paragraphs (2), (3), and (4).*

7 *(2) The amount required for the plan year to credit*
8 *interest on members' nominal accounts at the minimum*
9 *interest rate.*

10 *(3) The amount of the plan's administrative expenses*
11 *with respect to the Defined Benefit Supplement*
12 *Program for the plan year.*

13 *(4) The sufficiency of the Gain and Loss Reserve and*
14 *whether any additions must be made to that reserve.*

15 *(b) For any plan year that the board declares an*
16 *additional earnings credit, the board shall specify the*
17 *amount to be added to members' accounts as a*
18 *percentage increase. The additional earnings credit shall*
19 *be applied to the balance of credits in each member's*
20 *nominal account as of the last day of the plan year and*
21 *shall be applied as of the date specified by the board. The*
22 *additional earnings credit shall not be added to the*
23 *balance of credits in a member's Defined Benefit*
24 *Supplement account that has been transferred to the*
25 *Annuitant Reserve.*

26 *(c) The declaration of an additional earnings credit*
27 *shall be made as a plan amendment adopted by the board*
28 *with respect to the Defined Benefit Supplement*
29 *Program upon recommendation of the actuary after*
30 *adoption of the actuarial valuation undertaken following*
31 *the plan year pursuant to Section 22311.5, but no later*
32 *than June 30 following the end of the plan year.*

33 *25007. When the board declares an additional*
34 *earnings credit for a plan year, the board also may declare*
35 *by plan amendment an additional annuity credit, for*
36 *members and annuity beneficiaries who are receiving an*
37 *annuity, based on the balance of credits transferred from*
38 *the member's Defined Benefit Supplement account to*
39 *the Annuitant Reserve. The additional annuity credit, if*
40 *declared by the board, shall be paid in a lump-sum. In*



1 addition to the considerations specified in Section 25006,
2 prior to declaring an additional earnings credit, the board
3 shall consider both of the following:

4 (a) The amount required for the plan year to apply the
5 additional earnings credit to the Defined Benefit
6 Supplement accounts of members who are not receiving
7 an annuity under the Defined Benefit Supplement
8 Program for the plan year.

9 (b) Any other obligations incurred by the plan with
10 respect to the Defined Benefit Supplement Program.

11 25008. (a) A member's right to an amount equal to
12 the balance of credits in the member's Defined Benefit
13 Supplement account shall be vested at the time
14 contributions are initially credited to the member's
15 account.

16 (b) A partial distribution of the amount equal to the
17 balance of credits in a member's Defined Benefit
18 Supplement account shall not be made, except as
19 provided in Section 25009 or 25016.

20

21

Article 3. Retirement Benefits

22

23 25009. (a) A member's retirement benefit under the
24 Defined Benefit Supplement Program shall be an amount
25 equal to the balance of credits in the member's Defined
26 Benefit Supplement account on the date the retirement
27 benefit becomes payable.

28 (b) A retirement benefit shall be a lump-sum
29 payment, or an annuity payable in monthly installments,
30 or a combination of both a lump-sum payment and an
31 annuity, as elected by the member on the application for
32 a retirement benefit.

33 (c) Upon distribution of the entire retirement benefit
34 in a lump-sum payment, no other benefit shall be payable
35 to the member or the member's beneficiary under the
36 Defined Benefit Supplement Program.

37 25010. (a) A member who meets the following
38 eligibility requirements may receive a retirement benefit
39 under the Defined Benefit Supplement Program:



1 (1) The member has terminated all employment to
2 perform creditable service subject to coverage by the
3 plan. The member's employer, or employers if the
4 member has multiple employers, shall certify on a form
5 prescribed by the system that the member's employment
6 has been terminated.

7 (2) The member has retired for service under the
8 Defined Benefit Program pursuant to Chapter 27
9 (commencing with Section 24201).

10 (b) A member shall submit an application for a
11 retirement benefit on a form prescribed by the system.

12 25011. (a) A member may elect to receive the
13 retirement benefit as an annuity payable in monthly
14 installments, provided the balance of credits in the
15 member's Defined Benefit Supplement account on the
16 date the retirement benefit becomes payable equals at
17 least three thousand five hundred dollars (\$3,500).

18 (b) If the member elects to receive the retirement
19 benefit as an annuity, the member shall elect one of the
20 following forms of payment:

21 (1) A single life annuity without a cash refund feature.
22 This form of payment is the actuarial equivalent of the
23 amount that would be payable to the member if the
24 member elected to receive the retirement benefit in a
25 lump-sum payment. Upon the death of the member, no
26 other benefit shall be payable to the member's
27 beneficiary under the Defined Benefit Supplement
28 Program.

29 (2) A single life annuity with a cash refund feature.
30 This form of payment is the actuarial equivalent of the
31 amount that would be payable to the member if the
32 member elected to receive the retirement benefit in a
33 lump-sum payment. Upon the death of the member, an
34 amount equal to the remaining balance, if any, of credits
35 transferred from the member's Defined Benefit
36 Supplement account to the Annuitant Reserve shall be
37 returned in a lump-sum payment to the member's
38 beneficiary.

39 (3) A 100 percent joint and survivor annuity. This form
40 of payment is the actuarial equivalent of the lump-sum



1 *payment modified to be payable over the combined lives*
2 *of the member and the member's annuity beneficiary.*
3 *Upon the death of the member, the same monthly*
4 *amount that was payable to the member shall be paid*
5 *monthly to the member's surviving annuity beneficiary.*
6 *If the annuity beneficiary predeceases the member, the*
7 *annuity shall be payable to the member without*
8 *modification as of the day following the date of the*
9 *annuity beneficiary's death upon receipt by the system of*
10 *proof of the annuity beneficiary's death.*

11 (4) *A 50 percent joint and survivor annuity. This form*
12 *of payment is the actuarial equivalent of the lump-sum*
13 *payment modified to be payable over the combined lives*
14 *of the member and the member's annuity beneficiary.*
15 *Upon the death of the member, one-half of the monthly*
16 *amount that was payable to the member shall be paid*
17 *monthly to the member's surviving annuity beneficiary.*
18 *If the annuity beneficiary predeceases the member, the*
19 *annuity shall be payable to the member without*
20 *modification as of the day following the date of the*
21 *annuity beneficiary's death upon receipt by the system of*
22 *proof of the annuity beneficiary's death.*

23 (5) *A period certain annuity. This form of payment is*
24 *an annuity equal to the actuarial equivalent of the*
25 *balance of credits in the member's Defined Benefit*
26 *Supplement account on the date the retirement benefit*
27 *becomes payable. The annuity shall be payable over a*
28 *specified number of years, from a minimum of three years*
29 *to a maximum of 10 years, until the annuity amount paid*
30 *equals the amount of credits that was in the member's*
31 *Defined Benefit Supplement account. However, the*
32 *annuity period shall not exceed the life expectancy of the*
33 *member, or the life expectancy of the member and the*
34 *member's annuity beneficiary. If the member's death*
35 *occurs prior to the end of the period certain, the*
36 *remaining balance of payments shall be paid to the*
37 *member's annuity beneficiary pursuant to Section 25022.*

38 (c) *The actuarial equivalent of the balance of credits*
39 *in the member's Defined Benefit Supplement account*
40 *shall reflect increases in annuity payments to be made in*



1 *the future pursuant to Section 24402, unless the member*
2 *elected a period certain annuity.*

3
4 *Article 4. Annuities*
5

6 *25012. An annuity payable under the Defined Benefit*
7 *Supplement Program shall be determined as a value*
8 *actuarially equivalent to the balance of credits in the*
9 *member's Defined Benefit Supplement account on the*
10 *date the benefit becomes payable and after any*
11 *lump-sum payment. If a single life annuity is elected, the*
12 *annuity shall be calculated using the age of the member*
13 *on the date the benefit becomes payable. If a joint and*
14 *survivor annuity is elected, the annuity shall be calculated*
15 *using the age of the member and the age of the member's*
16 *beneficiary on the date the benefit becomes payable.*

17 *25013. Upon election by the member to receive a*
18 *benefit payable under the Defined Benefit Supplement*
19 *Program in the form of an annuity, the balance of credits*
20 *in the member's Defined Benefit Supplement account*
21 *shall be transferred to the Annuitant Reserve.*

22 *25014. (a) If a member reinstates from service*
23 *retirement under this part, payment of a retirement*
24 *annuity based on the balance of credits that was*
25 *transferred from the member's Defined Benefit*
26 *Supplement account to the Annuitant Reserve shall*
27 *terminate. The member's Defined Benefit Supplement*
28 *account shall be credited with the actuarial equivalent of*
29 *the member's annuity as of the date the annuity is*
30 *terminated and the Annuitant Reserve shall be reduced*
31 *by the amount credited to the member's account.*

32 *(b) The actuarial equivalent of the annuity on the date*
33 *the annuity is terminated shall be calculated using the*
34 *actuarial assumptions that were in effect on the date the*
35 *retirement annuity became payable. In determining the*
36 *actuarial equivalent, the age of the member on the date*
37 *the retirement annuity became payable shall be used if*
38 *the member was receiving a single life annuity. If the*
39 *member was receiving a joint and survivor annuity, the*
40 *age of the member and the age of the member's annuity*

1 beneficiary on the date the retirement annuity became
 2 payable shall be used to determine the actuarial
 3 equivalent.

4 (c) If the member subsequently retires again, an
 5 annuity based on the remaining balance of credits in the
 6 member's Defined Benefit Supplement account at the
 7 time of the subsequent retirement shall become payable
 8 pursuant to Section 24202.5 and the balance of credits in
 9 the member's Defined Benefit Supplement account shall
 10 be transferred to the Annuitant Reserve.

11 25015. (a) If a member elects to receive a benefit
 12 payable under the Defined Benefit Supplement Program
 13 as a joint and survivor annuity, the member shall
 14 designate an annuity beneficiary on the benefit
 15 application. The annuity beneficiary designation shall not
 16 be changed after the date the benefit becomes payable to
 17 the member, except as provided in Chapter 12
 18 (commencing with Section 22650).

19 (b) A member who elects to receive a joint and
 20 survivor annuity may designate more than one annuity
 21 beneficiary. If the member designates multiple annuity
 22 beneficiaries, the member shall specify the percentage of
 23 the annuity payable to each annuity beneficiary upon the
 24 death of the member. The annuity amount payable to the
 25 member during his or her lifetime shall be modified to be
 26 payable over the combined lives of the member and the
 27 annuity beneficiaries.

28 (c) If the member predeceases an annuity beneficiary,
 29 the annuity beneficiary may designate a payee to receive
 30 an amount that may be payable in a lump-sum pursuant
 31 to Section 25023 upon the death of the annuity
 32 beneficiary.

33

34

Article 5. Disability Benefits

35

36 25016. (a) A member's disability benefit under the
 37 Defined Benefit Supplement Program shall be an amount
 38 equal to the balance of credits in the member's Defined
 39 Benefit Supplement account on the date the disability
 40 benefit becomes payable.



1 (b) A disability benefit shall be a lump-sum payment,
2 or an annuity payable in monthly installments, or a
3 combination of both a lump-sum payment and an
4 annuity, as elected by the member on the application for
5 a disability benefit.

6 (c) Upon distribution of the entire disability benefit in
7 a lump-sum payment, no other benefit shall be payable to
8 the member or the member's beneficiary under the
9 Defined Benefit Supplement Program.

10 25017. (a) A member who meets the following
11 eligibility requirements may receive a disability benefit
12 under the Defined Benefit Supplement Program:

13 (1) The member has terminated all employment to
14 perform creditable service subject to coverage by the
15 plan. The member's employer, or employers if the
16 member has multiple employers, shall certify on a form
17 prescribed by the system that the member's employment
18 has been terminated.

19 (2) The member has been approved to receive a
20 disability allowance pursuant to Chapter 25
21 (commencing with Section 24001) or a disability
22 retirement allowance pursuant to Chapter 26
23 (commencing with Section 24100) under the Defined
24 Benefit Program.

25 (b) The member, or the member's employer or
26 conservator on behalf of the member, shall submit an
27 application for a disability benefit on a form prescribed by
28 the system.

29 25018. (a) A member may elect to receive the
30 disability benefit as an annuity, payable in monthly
31 installments, provided the balance of credits in the
32 member's Defined Benefit Supplement account on the
33 date the disability benefit becomes payable equals at least
34 three thousand five hundred dollars (\$3,500).

35 (b) If the member elects to receive the disability
36 benefit as an annuity, the member shall elect one of the
37 following forms of payment:

38 (1) A single life annuity without a cash refund feature.
39 This form of payment is the actuarial equivalent of the
40 amount that would be payable to the member if the



1 member elected to receive the disability benefit in a
2 lump-sum payment. Upon the death of the member, no
3 other benefit shall be payable to the member's
4 beneficiary under the Defined Benefit Supplement
5 Program.

6 (2) A single life annuity with a cash refund feature.
7 This form of payment is the actuarial equivalent of the
8 amount that would be payable to the member if the
9 member elected to receive the disability benefit in a
10 lump-sum payment. Upon the death of the member, an
11 amount equal to the remaining balance, if any, of credits
12 transferred from the member's Defined Benefit
13 Supplement account to the Annuitant Reserve shall be
14 returned in a lump-sum payment to the member's
15 beneficiary.

16 (3) A 100 percent joint and survivor annuity. This form
17 of payment is the actuarial equivalent of the lump-sum
18 payment modified to be payable over the combined lives
19 of the member and the member's annuity beneficiary.
20 Upon the death of the member, the same monthly
21 amount that was payable to the member shall be paid
22 monthly to the member's surviving annuity beneficiary.
23 If the annuity beneficiary predeceases the member, the
24 annuity shall be payable to the member without
25 modification as of the day following the date of the
26 annuity beneficiary's death upon receipt by the system of
27 proof of the annuity beneficiary's death.

28 (4) A 50 percent joint and survivor annuity. This form
29 of payment is the actuarial equivalent of the lump-sum
30 payment modified to be payable over the combined lives
31 of the member and the member's annuity beneficiary.
32 Upon the death of the member, one-half of the monthly
33 amount that was payable to the member shall be paid
34 monthly to the member's surviving annuity beneficiary.
35 If the annuity beneficiary predeceases the member, the
36 annuity shall be payable to the member without
37 modification as of the day following the date of the
38 annuity beneficiary's death upon receipt by the system of
39 proof of the annuity beneficiary's death.



1 (5) A period certain annuity. This form of payment is
2 an annuity equal to the actuarial equivalent of the
3 balance of credits in the member's Defined Benefit
4 Supplement account on the date the disability benefit
5 becomes payable. The annuity shall be payable over a
6 specified number of years, from a minimum of three years
7 to a maximum of 10 years, until the annuity amount paid
8 equals the amount of credits that was in the member's
9 Defined Benefit Supplement account. However, the
10 annuity period shall not exceed the life expectancy of the
11 member, or the life expectancy of the member and the
12 member's annuity beneficiary. If the member's death
13 occurs prior to the end of the period certain, the
14 remaining balance of payments shall be paid to the
15 member's annuity beneficiary pursuant to Section 25022.

16 (c) The actuarial equivalent of the balance of credits
17 in the member's Defined Benefit Supplement account
18 shall reflect increases in annuity payments to be made in
19 the future pursuant to Section 24402, unless the member
20 elected a period certain annuity.

21 25019. (a) If a member's disability allowance or
22 disability retirement allowance under this part is
23 terminated, payment of a disability annuity based on the
24 balance of credits transferred from the member's
25 Defined Benefit Supplement account to the Annuitant
26 Reserve also shall terminate. The member's Defined
27 Benefit Supplement account shall be credited with the
28 actuarial equivalent of the member's annuity as of the
29 date the annuity is terminated and the Annuitant Reserve
30 shall be reduced by the amount credited to the member's
31 account.

32 (b) The actuarial equivalent of the annuity on the date
33 the annuity is terminated shall be calculated using the
34 actuarial assumptions that were in effect on the date the
35 disability annuity became payable. In determining the
36 actuarial equivalent, the age of the member on the date
37 the disability annuity became payable shall be used if the
38 member was receiving a single life annuity. If the
39 member was receiving a joint and survivor annuity, the
40 age of the member and the age of the member's annuity



1 beneficiary on the date the disability allowance or
2 disability retirement allowance became payable shall be
3 used to determine the actuarial equivalent.

4 (c) If a disability allowance or disability retirement
5 allowance subsequently becomes payable again, an
6 annuity based on the remaining balance of credits in the
7 member's Defined Benefit Supplement account at the
8 time of the subsequent disability or disability retirement
9 becomes payable and the balance of credits in the
10 member's Defined Benefit Supplement account shall be
11 transferred to the Annuitant Reserve.

12

13

Article 6. Final Benefits

14

15 25020. (a) A final benefit under the Defined Benefit
16 Supplement Program shall become payable to the
17 member's beneficiary when the system receives proof of
18 the member's death.

19 (b) If the member's death occurs before an annuity
20 under the Defined Benefit Supplement Program
21 becomes payable, the final benefit shall be an amount
22 equal to the balance of credits in the member's Defined
23 Benefit Supplement account on the date of the member's
24 death.

25 (c) Upon distribution of a final benefit in a lump-sum
26 payment, no other benefit shall be payable under the
27 Defined Benefit Supplement Program to the member's
28 beneficiary.

29 25021. (a) A beneficiary may elect to receive the
30 final benefit payable under the Defined Benefit
31 Supplement Program as an annuity payable in monthly
32 installments provided the balance of credits in the
33 member's Defined Benefit Supplement account equals at
34 least three thousand five hundred dollars (\$3,500).

35 (b) A beneficiary who elects to receive an annuity
36 shall elect one of the following forms of payment:

37 (1) A single life annuity without a cash refund feature.
38 This form of payment is the actuarial equivalent of the
39 amount that would be payable to the beneficiary if the
40 beneficiary elected to receive the final benefit in a



1 lump-sum payment. The annuity shall cease to be payable
2 upon the death of the beneficiary, and no other benefit
3 will be payable under the Defined Benefit Supplement
4 Program because of the death of the member and the
5 member's beneficiary.

6 (2) A period certain annuity. This form of payment is
7 an annuity equal to the actuarial equivalent of the
8 balance of credits in the member's Defined Benefit
9 Supplement account on the date of the member's death.
10 The annuity shall be payable over a specified number of
11 years, from a minimum of three years to a maximum of
12 10 years, but not to exceed the life expectancy of the
13 beneficiary, until the annuity amount paid equals the
14 amount of credits that was in the member's Defined
15 Benefit Supplement account. The beneficiary may
16 designate a payee to receive the remaining balance of
17 payments if the beneficiary's death occurs prior to the
18 end of the period certain.

19 (c) The actuarial equivalent of the balance of credits
20 in the member's Defined Benefit Supplement account
21 shall reflect increases in annuity payments to be made in
22 the future pursuant to Section 24402, unless the member
23 elected a period certain annuity.

24 25022. (a) If the death of a member occurs while the
25 member is receiving an annuity under the Defined
26 Benefit Supplement Program, the final benefit shall be
27 payable in accordance with the terms of the annuity
28 elected by the member.

29 (b) If the member was receiving a single life annuity
30 without a cash refund feature, a final benefit shall not be
31 payable.

32 (c) If the member was receiving a single life annuity
33 with a cash refund feature, the final benefit shall be
34 payable in a lump-sum to the member's beneficiary.

35 (d) If the member was receiving a joint and survivor
36 annuity, the annuity shall continue to be paid to the
37 surviving designated annuity beneficiary. If the
38 designated annuity beneficiary predeceases the member,
39 a final benefit shall not be payable.



1 (e) If the member was receiving a period certain
2 annuity, the remaining balance of payments shall be paid
3 to the annuity beneficiary designated by the member.

4 25023. (a) Upon the death of an annuity beneficiary
5 who was receiving an annuity under a joint and survivor
6 annuity elected by the member no further payment shall
7 be made.

8 (b) If the annuity beneficiary was receiving an annuity
9 under a joint and survivor option, no further payment
10 shall be made.

11 (c) Upon the death of a beneficiary who was receiving
12 a single life annuity without a cash refund feature, no
13 further payment shall be made.

14 (d) Upon the death of a beneficiary who was receiving
15 a period certain annuity, the remaining balance of
16 payments shall be paid in a lump-sum to the payee
17 designated by the beneficiary pursuant to subdivision (c)
18 of Section 25015.

19

20

Article 6. Termination Benefits

21

22 25024. (a) Upon the termination of all employment
23 to perform creditable service subject to coverage under
24 the plan for a reason other than retirement, disability, or
25 death, a member shall be eligible for a termination
26 benefit under the Defined Benefit Supplement Program.
27 The member's employer, or employers if the member has
28 multiple employers, shall certify on a form prescribed by
29 the system that the member's employment has been
30 terminated.

31 (b) A member shall submit an application for a
32 termination benefit on a form prescribed by the system.

33 (c) The termination benefit shall be a lump-sum
34 payment that is equal to the balance of credits in the
35 member's Defined Benefit Supplement account.

36 (d) Upon distribution of the termination benefit, no
37 further benefit shall be payable to the member or the
38 member's beneficiary under the Defined Benefit
39 Supplement Program.



1 25025. A termination benefit under the Defined
2 Benefit Supplement Program shall be payable after one
3 calendar year has elapsed following the date the member
4 terminated employment as specified in Section 25024. If
5 the member performs creditable service within one year
6 of the prior termination of employment, the termination
7 benefit shall not be payable.

8 25026. The member may cancel an application for a
9 termination benefit at any time prior to distribution of
10 the benefit.

11 amended to read:

12 ~~1748.10. This act shall be known and may be cited as~~
13 ~~the "Arcias Credit Card Full Disclosure Act Of 1986."~~

14 ~~SEC. 2. Section 1748.12 of the Civil Code is amended~~
15 ~~to read:~~

16 ~~1748.12. (a) For purposes of this section:~~

17 ~~(1) "Cardholder" means any consumer to whom a~~
18 ~~credit card is issued, provided that in cases when more~~
19 ~~than one credit card has been issued for the same account,~~
20 ~~all persons holding those credit cards may be treated as~~
21 ~~a single cardholder.~~

22 ~~(2) "Credit card" means any card, plate, coupon book,~~
23 ~~or other single credit device existing for the purpose of~~
24 ~~being used from time to time upon presentation to obtain~~
25 ~~money, property, labor, or services on credit. "Credit~~
26 ~~card" does not mean any of the following:~~

27 ~~(A) Any single credit device used to obtain telephone~~
28 ~~property, labor, or services in any transaction under~~
29 ~~public utility tariffs.~~

30 ~~(B) Any device that may be used to obtain credit~~
31 ~~pursuant to an electronic fund transfer but only if the~~
32 ~~credit is obtained under an agreement between a~~
33 ~~consumer and a financial institution to extend credit~~
34 ~~when the consumer's asset account is overdrawn or to~~
35 ~~maintain a specified minimum balance in the consumer's~~
36 ~~asset account.~~

37 ~~(C) Any key or card key used at an automated~~
38 ~~dispensing outlet to obtain or purchase petroleum~~
39 ~~products, as defined in subdivision (c) of Section 13401 of~~
40 ~~the Business and Professions Code, which will be used~~



1 primarily for business rather than personal or family
2 purposes.

3 (3) “Marketing information” means the
4 categorization of cardholders compiled by a credit card
5 issuer, based on a cardholder’s shopping patterns,
6 spending history, or behavioral characteristics derived
7 from account activity which is provided to a marketer of
8 goods for consideration. “Marketing information” does
9 not include aggregate data which does not identify a
10 cardholder based on the cardholder’s shopping patterns,
11 spending history, or behavioral characteristics derived
12 from account activity or any communications to any
13 person in connection with any transfer, processing,
14 billing, collection, chargeback, fraud prevention, credit
15 card recovery, or acquisition of or for credit card
16 accounts.

17 (b) If the credit card issuer discloses marketing
18 information concerning a cardholder to any person, the
19 credit card issuer shall provide a written notice to the
20 cardholder that clearly and conspicuously describes the
21 cardholder’s right to prohibit the disclosure to marketers
22 of goods of marketing information concerning the
23 cardholder which discloses the cardholder’s identity. The
24 notice shall include either a preprinted form by which the
25 cardholder may exercise this right or shall advise the
26 cardholder of a toll-free telephone number which the
27 cardholder may call to exercise this right.

28 (c) The requirements of subdivision (b) may be
29 satisfied by furnishing the notice to the cardholder (1) on
30 or with the credit application, (2) with the credit card
31 when it is delivered to the cardholder, or (3) in any
32 manner and at any time, provided that it is furnished
33 prior to the disclosure of marketing information relating
34 to the cardholder. No notice need be furnished to a
35 cardholder to whom prior notice has been given, as to
36 whom no marketing information will be disclosed, or to
37 whom notice has been given prior to the effective date of
38 this act which complies with the provisions of subdivision
39 (b).



1 ~~(d) An election to prohibit disclosure of marketing~~
2 ~~information, as provided in subdivision (b), shall~~
3 ~~terminate upon receipt by the credit card issuer of notice~~
4 ~~from the cardholder that the cardholder's election under~~
5 ~~subdivision (b) is no longer effective.~~

6 ~~(e) The requirements of subdivisions (b) and (c) do~~
7 ~~not apply to any of the following communications of~~
8 ~~marketing information by a credit card issuer:~~

9 ~~(1) Communications to any party to, or merchant~~
10 ~~specified in, the credit card agreement, or to any person~~
11 ~~whose name appears on the credit card or on whose~~
12 ~~behalf the credit card is issued.~~

13 ~~(2) Communications to consumer credit reporting~~
14 ~~agencies, as defined in subdivision (d) of Section 1785.3.~~

15 ~~(3) Communications to a corporate subsidiary or~~
16 ~~affiliate of the card issuer.~~

17 ~~(4) Communications to a third party when the third~~
18 ~~party is responsible for conveying information from the~~
19 ~~card issuer to any of its cardholders.~~

20 ~~(f) If the laws of the United States require disclosure~~
21 ~~to cardholders regarding the use of personal information,~~
22 ~~compliance with the federal requirements shall be~~
23 ~~deemed to be compliance with this section.~~

24 ~~(g) This section shall become operative on July 1, 1994.~~

25 ~~(h) This section shall become inoperative on April 1,~~
26 ~~2000, and as of January 1, 2001, is repealed under a later~~
27 ~~enacted statute, that is enacted before January 1, 2001,~~
28 ~~deletes or extends that date.~~

29 ~~SEC. 3. Section 1748.12 is added to the Civil Code, to~~
30 ~~read:~~

31 ~~1748.12. (a) For purposes of this section:~~

32 ~~(1) "Cardholder" means any consumer to whom a~~
33 ~~credit card is issued, provided that in cases when more~~
34 ~~than one credit card has been issued for the same account,~~
35 ~~all persons holding those credit cards may be treated as~~
36 ~~a single cardholder.~~

37 ~~(2) "Credit card" means any card, plate, coupon book,~~
38 ~~or other single credit device existing for the purpose of~~
39 ~~being used from time to time upon presentation to obtain~~



1 money, property, labor, or services on credit. “Credit
2 card” does not mean any of the following:

3 (A) Any single credit device used to obtain telephone
4 property, labor, or services in any transaction under
5 public utility tariffs.

6 (B) Any device that may be used to obtain credit
7 pursuant to an electronic fund transfer but only if the
8 credit is obtained under an agreement between a
9 consumer and a financial institution to extend credit
10 when the consumer’s asset account is overdrawn or to
11 maintain a specified minimum balance in the consumer’s
12 asset account.

13 (C) Any key or card key used at an automated
14 dispensing outlet to obtain or purchase petroleum
15 products, as defined in subdivision (c) of Section 13401 of
16 the Business and Professions Code, which will be used
17 primarily for business rather than personal or family
18 purposes.

19 (3) “Marketing information” means the
20 categorization of cardholders compiled by a credit card
21 issuer, based on a cardholder’s shopping patterns,
22 spending history, or behavioral characteristics derived
23 from account activity which is provided to a marketer of
24 goods or services or a subsidiary or affiliate organization
25 of the company that collects the information for
26 consideration. “Marketing information” does not include
27 aggregate data which does not identify a cardholder
28 based on the cardholder’s shopping patterns, spending
29 history, or behavioral characteristics derived from
30 account activity or any communications to any person in
31 connection with any transfer, processing, billing,
32 collection, chargeback, fraud prevention, credit card
33 recovery, or acquisition of or for credit card accounts.

34 (b) If the credit card issuer discloses marketing
35 information concerning a cardholder to any person, the
36 credit card issuer shall provide a written notice to the
37 cardholder that clearly and conspicuously describes the
38 cardholder’s right to prohibit the disclosure of marketing
39 information concerning the cardholder which discloses
40 the cardholder’s identity. The notice shall be in 10-point



1 type and shall advise the cardholder of their ability to
2 respond either by completing a preprinted form or a
3 toll-free telephone number that the cardholder may call
4 to exercise this right.

5 (e) The requirements of subdivision (b) shall be
6 satisfied by furnishing the notice to the cardholder:

7 (1) At least 60 days prior to the initial disclosure of
8 marketing information concerning the cardholder by the
9 credit card issuer.

10 (2) For all new credit cards issued on or after April 1,
11 2000, on the form containing the new credit card when
12 the credit card is delivered to the cardholder.

13 (3) At least once per calendar year, to every
14 cardholder entitled to receive an annual statement of
15 billings rights pursuant to 12 C.F.R. 226.9 (Regulation Z).
16 The notice required by this paragraph may be included
17 on or with any periodic statement or with the delivery of
18 the renewal card.

19 (d) (1) The cardholder's election to prohibit
20 disclosure of marketing information shall be effective
21 only with respect to marketing information that is
22 disclosed to any party beginning 30 days after the credit
23 card issuer has received, at the designated address on the
24 form containing the new credit card or on the preprinted
25 form, or by telephone, the cardholder's election to
26 prohibit disclosure. This does not apply to the disclosure
27 of marketing information prior to the cardholder's
28 notification to the credit card issuer of the cardholder's
29 election.

30 (2) An election to prohibit disclosure of marketing
31 information shall terminate upon receipt by the credit
32 card issuer of notice from the cardholder that the
33 cardholder's election to prohibit disclosure is no longer
34 effective.

35 (e) The requirements of this section do not apply to
36 any of the following communications of marketing
37 information by a credit card issuer:

38 (1) Communications to any party to, or merchant
39 specified in, the credit card agreement, or to any person



1 ~~whose name appears on the credit card or on whose~~
2 ~~behalf the credit card is issued.~~
3 ~~(2) Communications to consumer credit reporting~~
4 ~~agencies, as defined in subdivision (d) of Section 1785.3.~~
5 ~~(3) To the extent that the Fair Credit Reporting Act~~
6 ~~preempts the requirements of this section as to~~
7 ~~communication by a credit card issuer to a corporate~~
8 ~~subsidiary or affiliate, the credit card issuer may~~
9 ~~communicate information about a cardholder to a~~
10 ~~corporate subsidiary or affiliate to the extent and in the~~
11 ~~manner permitted under that act.~~
12 ~~(4) Communications to a third party when the third~~
13 ~~party is responsible for conveying information from the~~
14 ~~card issuer to any of its cardholders.~~
15 ~~(f) If the laws of the United States require disclosure~~
16 ~~to cardholders regarding the use of personal information,~~
17 ~~compliance with the federal requirements shall be~~
18 ~~deemed to be compliance with this section.~~
19 ~~(g) This section shall become operative on April 1,~~
20 ~~2000.~~

