

ASSEMBLY BILL

No. 2118

Introduced by Assembly Member Bock

February 22, 2000

An act to amend Sections 22001.5, 22109, 22115.2, 22115.5, 22167, 22200, 22201, 22207, 22212, 22375, 22400, 22508, 22508.5, 22509, 22513, 22514, 22801, 22803, 22950, 22951, 22954, 22955, 23001, 23007, 23008, 23201, 24201, 24255, 24260, 24412, 24702, 24975, 25000, 26000, 26000.5, 26000.6, 26001, 26002, 26105, 26109, 26142, 26200, 26201, 26202, 26204, 26206, 26209, and 26210 of, to amend the heading of Chapter 7 (commencing with Section 22375) of Part 13 of Division 1 of Title 1 of, to add Sections 22500.5 and 26138.5 to, to add Chapter 6 (commencing with Section 22360) to Part 13 of Division 1 of Title 1 of, to repeal and add Section 22002 of, to repeal Sections 22001, 22143, 22144, 22168, 22201.2, 22201.3, 22202, 22203, 22203.5, 22204, 22205, 22206, 22208, 22209, 22210, 22217, 22218, 22218.5, 22221, 22223, 22224, 22225, 22300, 22301, 22307, 22311, 22322, 22323, 22324, 22330, 22401, 22403, 22510, 22512, and 22954.5 of, and to repeal Chapter 4 (commencing with Section 22250) and Chapter 6 (commencing with Section 22350) of Part 13 of Division 1 of Title 1 of, the Education Code, and to amend Sections 20057, 20170, 20175, 20176, 20177, 20178, 20195, 20300, 20309, 20370, 20501, 20610, 20611, 20752, 20900, 21220, 21661, 22009.03, 22009.1, 22018, 22156, 22202, 22203, 22204, 22208, 22302, 22502, 22754, 22754.2, 31565, and 31840.8 of, to add Sections 20090.5, 20281.5, and 20281.6 to, the Government Code, and to amend Section 6217.5 of the Public Resources

Code, relating to the State Teachers' Retirement System, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 2118, as introduced, Bock. State Teachers' Retirement System: merger of system.

The State Teachers' Retirement Law establishes the State Teachers' Retirement Plan which is administered by the State Teachers' Retirement System under the direction of the Teachers' Retirement Board. Assets of the plan are deposited and held in the Teachers' Retirement Fund. The Public Employees' Retirement Law establishes the Public Employees' Retirement System which is governed by the Board of Administration of the Public Employees' Retirement System. Assets of that system are deposited and held in the Public Employees' Retirement Fund, a continuously appropriated special fund.

This bill would abolish the State Teachers' Retirement System, the Teachers' Retirement Board, and the Teachers' Retirement Fund. The State Teachers' Retirement Plan would instead be administered by the Public Employees' Retirement System, under the direction of the Board of Administration of that system and all assets of the plan would be deposited and held in the Public Employees' Retirement Fund, thereby making an appropriation. The bill would provide that the merger of the 2 systems shall not affect the vested rights or benefits of members or retirees of the State Teachers' Retirement Plan.

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

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

1 SECTION 1. Section 22001 of the Education Code is
2 repealed.
3 ~~22001. In order to provide a financially sound plan for~~
4 ~~the retirement, with adequate retirement allowances, of~~
5 ~~teachers in the public schools of this state, teachers in~~
6 ~~schools supported by this state, and other persons~~



1 ~~employed in connection with the schools, the State~~
2 ~~Teachers' Retirement System is established. The system~~
3 ~~is a unit of the State and Consumer Services Agency.~~

4 SEC. 2. Section 22001.5 of the Education Code is
5 amended to read:

6 22001.5. (a) The Legislature hereby finds and
7 declares that on July 1, 1996, the State Teachers'
8 Retirement System Cash Balance Plan was created and
9 established to provide a retirement plan for persons
10 employed to perform creditable service for less than 50
11 percent of the full-time equivalent for the position. The
12 persons eligible for the Cash Balance Plan were excluded
13 from mandatory membership in the State Teachers'
14 Retirement System Defined Benefit Plan. Both plans ~~are~~
15 ~~were~~ administered by the Teachers' Retirement Board.
16 Prior to the creation and establishment of the Cash
17 Balance Plan, the State Teachers' Retirement System
18 Defined Benefit Plan had been identified simply as the
19 State Teachers' Retirement System. As a result, the
20 system was identified as both the administrative body and
21 the retirement plan. The State Teachers' Retirement
22 Law was amended to identify the retirement plan as the
23 State Teachers' Retirement System Defined Benefit Plan
24 in order to distinguish that plan from the Cash Balance
25 Plan. Because both plans were intended to provide for the
26 retirement of teachers and other persons employed in
27 connection with public schools of this state and schools
28 supported by this state, a merger of these two plans ~~is now~~
29 ~~hereby~~ was made for the purpose of establishing a single
30 retirement plan that shall be known and may be cited as
31 the State Teachers' Retirement Plan consisting of the
32 different benefit programs set forth in this part and Part
33 14 (commencing with Section 26000). ~~This plan shall be~~
34 ~~administered by the Teachers' Retirement Board as set~~
35 ~~forth in this part and Part 14 (commencing with Section~~
36 ~~26000). This~~

37 (b) *The Legislature hereby further finds and declares*
38 *that on January 1, 2001, the State Teachers' Retirement*
39 *System was merged into the Public Employees'*
40 *Retirement System and, as a result, the State Teachers'*



1 Retirement Plan shall be administered by the Board of
 2 Administration of the Public Employees' Retirement
 3 System as set forth in Chapter 2 (commencing with
 4 Section 20090) of Part 3 of Division 5 of Title 2 of the
 5 Government Code.

6 (c) This part, together with Part 14 (commencing
 7 with Section 26000) shall be known and may be cited as
 8 the Teachers' Retirement Law.

9 SEC. 3. Section 22002 of the Education Code is
 10 repealed.

11 ~~22002. The Legislature recognizes that the assets of~~
 12 ~~the State Teachers' Retirement Plan with respect to the~~
 13 ~~Defined Benefit Program are insufficient to meet the~~
 14 ~~obligations of that program already accrued or to accrue~~
 15 ~~in the future with respect to service credited to members~~
 16 ~~of that program prior to July 1, 1972. Therefore, the~~
 17 ~~Legislature declares the following policies with respect to~~
 18 ~~the financing of the Defined Benefit Program of the State~~
 19 ~~Teachers' Retirement Plan:~~

20 (a) ~~Members shall contribute a percentage of~~
 21 ~~creditable compensation, unless otherwise specified in~~
 22 ~~this part.~~

23 (b) ~~Employers shall contribute a percentage of the~~
 24 ~~total creditable compensation on which member~~
 25 ~~contributions are based.~~

26 (c) ~~The state shall contribute a sum certain for a given~~
 27 ~~number of years for the purpose of payment of benefits~~
 28 ~~under this part.~~

29 SEC. 4. Section 22002 is added to the Education Code,
 30 to read:

31 22002. The merger of the State Teachers' Retirement
 32 System into the Public Employees' Retirement System,
 33 effective January 1, 2001, shall not be construed to affect
 34 the vested rights or benefits of current members of the
 35 State Teachers' Retirement Plan or persons retired prior
 36 to January 1, 2001, or their beneficiaries.

37 SEC. 5. Section 22109 of the Education Code is
 38 amended to read:



1 22109. “Board” means the ~~Teachers’ Retirement~~
2 *Board of Administration of the Public Employees’*
3 *Retirement System*.

4 SEC. 6. Section 22115.2 of the Education Code is
5 amended to read:

6 22115.2. “Concurrent membership” means
7 membership in the Defined Benefit Program by an
8 individual who is credited with service that is not used as
9 a basis for benefits under any other public retirement
10 system *or any other membership classification of this*
11 *system* and is also a member of ~~the California Public~~
12 ~~Employees’ Retirement System~~, *any other membership*
13 *classification of this system, or a member of the*
14 *Legislators’ Retirement System, the University of*
15 *California Retirement System, county retirement*
16 *systems established under Chapter 3 (commencing with*
17 *Section 31450) of Part 3 of Division 4 of Title 3 of the*
18 *Government Code, or the San Francisco City and County*
19 *Employees’ Retirement System. A member with*
20 *concurrent membership shall have the right to the*
21 *following:*

22 (a) Have final compensation determined pursuant to
23 subdivision (c) of Section 22134.

24 (b) Redeposit accumulated retirement contributions
25 pursuant to Section 23201.

26 (c) Apply for retirement pursuant to paragraph (2) of
27 subdivision (a) of Section 24201.

28 SEC. 7. Section 22115.5 of the Education Code is
29 amended to read:

30 22115.5. (a) “Concurrent retirement” entitles a
31 member of the Defined Benefit Program to retire for
32 service from the State Teachers’ Retirement ~~System~~ *Plan*
33 and from at least one of the retirement systems *or other*
34 *membership classifications of this system* with which the
35 member has concurrent membership, as defined in
36 Section 22115.2, on the same date or on different dates
37 provided that the member does not perform creditable
38 service subject to coverage under the other system *or*
39 *classification* or the Defined Benefit Program between
40 the two retirement dates.



1 (b) A retired member who is subsequently employed
2 in a position subject to membership in a public retirement
3 system *or another membership classification of this*
4 *system*, specified in Section 22115.2, shall not be eligible
5 for concurrent retirement.

6 SEC. 8. Section 22143 of the Education Code is
7 repealed.

8 ~~22143. “Investment manager” and “investment~~
9 ~~adviser” mean any person, firm, or custodian referred to~~
10 ~~in Section 22359, either appointed by or under contract~~
11 ~~with the board to engage in investment transactions or to~~
12 ~~manage or advise in the management of the assets of the~~
13 ~~Teachers’ Retirement Fund with respect to the Defined~~
14 ~~Benefit Program under this part and the Cash Balance~~
15 ~~Benefit Program under Part 14 (commencing with~~
16 ~~Section 26000).~~

17 SEC. 9. Section 22144 of the Education Code is
18 repealed.

19 ~~22144. “Investment transactions” means investment~~
20 ~~services of an asset management or investment advisory~~
21 ~~nature and may include advisory services, research~~
22 ~~material, trading assistance, trading expenses,~~
23 ~~discretionary management of funds of the plan upon~~
24 ~~approval by the board, acquisition of equipment to be~~
25 ~~used as part of the investment function, services that~~
26 ~~provide a recommended course of action or personal~~
27 ~~expertise, investment-related legal expenses,~~
28 ~~investment-related contracting expenses, or custodian~~
29 ~~services referred to in Section 22359.~~

30 SEC. 10. Section 22167 of the Education Code is
31 amended to read:

32 22167. “Retirement fund” means the ~~Teachers’~~
33 *Public Employees’ Retirement Fund as provided in*
34 *Article 5 (commencing with Section 20170) of Part 3 of*
35 *Division 5 of Title 2 of the Government Code.*

36 SEC. 11. Section 22168 of the Education Code is
37 repealed.

38 ~~22168. “Return on investments” means income~~
39 ~~received or receivable from the system’s investments.~~



1 SEC. 12. Section 22200 of the Education Code is
2 amended to read:

3 ~~22200. (a) The plan and the system are is~~
4 ~~administered by the Teachers' Retirement Board of~~
5 ~~Administration of the Public Employees' Retirement~~
6 ~~System pursuant to Chapter 2 (commencing with Section~~
7 ~~20090) of Part 3 of Division 5 of Title 2 of the Government~~
8 ~~Code. The members of the board are as follows:~~

9 ~~(1) The Superintendent of Public Instruction.~~

10 ~~(2) The Controller.~~

11 ~~(3) The Treasurer.~~

12 ~~(4) The Director of Finance.~~

13 ~~(5) One person who, at the time of appointment, is a~~
14 ~~member of the governing board of a school district or a~~
15 ~~community college district.~~

16 ~~(6) Three persons who are either members of the~~
17 ~~Defined Benefit Program or participants in the Cash~~
18 ~~Balance Benefit Program, as follows:~~

19 ~~(A) Two persons who, at the time of appointment, are~~
20 ~~classroom teachers in kindergarten or grades 1 through~~
21 ~~12.~~

22 ~~(B) One person who, at the time of appointment, is a~~
23 ~~community college instructor with expertise in the areas~~
24 ~~of business or economics or both business and economics~~
25 ~~and who shall be appointed by the Governor for a term~~
26 ~~of four years from a list submitted by the Board of~~
27 ~~Governors of the California Community Colleges.~~

28 ~~(7) One person who is either a retired member under~~
29 ~~this part or a retired participant under Part 14~~
30 ~~(commencing with Section 26000).~~

31 ~~(8) One officer of a life insurance company appointed~~
32 ~~by the Governor for a term of four years, subject to~~
33 ~~confirmation by the Senate.~~

34 ~~(9) One officer of a bank or a savings and loan~~
35 ~~institution who has had at least five years of broad~~
36 ~~professional investment experience handling various~~
37 ~~asset classes such as stocks, bonds, and mortgage~~
38 ~~investments and who shall be appointed by the Governor~~
39 ~~for a term of four years, subject to confirmation by the~~
40 ~~Senate.~~



1 ~~(10) One person representing the public, appointed~~
2 ~~by the Governor for a term of four years, subject to~~
3 ~~confirmation by the Senate.~~

4 ~~(b) The members of the board described in~~
5 ~~paragraphs (5) and (7) and subparagraph (A) of~~
6 ~~paragraph (6) of subdivision (a) shall be appointed by the~~
7 ~~Governor for four-year terms from a list submitted by the~~
8 ~~Superintendent of Public Instruction.~~

9 ~~(c) The members of the board shall annually elect a~~
10 ~~chairperson and vice chairperson.~~

11 SEC. 13. Section 22201 of the Education Code is
12 amended to read:

13 22201. ~~(a)~~The board shall set policy and shall have
14 the sole power and authority to hear and determine all
15 facts pertaining to application for benefits under the plan
16 or any matters pertaining to administration of the plan
17 and the system.

18 ~~(b) The board shall meet at least once every calendar~~
19 ~~quarter at such times as it may determine. The meetings~~
20 ~~shall be presided over by the chairperson. In the event of~~
21 ~~the chairperson's absence from a meeting the vice~~
22 ~~chairperson shall act as presiding officer and perform all~~
23 ~~other duties of the chairperson.~~

24 SEC. 14. Section 22201.2 of the Education Code is
25 repealed.

26 ~~22201.2. A quorum of the board shall consist of the~~
27 ~~majority of the board members. In determining whether~~
28 ~~or not a quorum is present, vacant positions on the board~~
29 ~~shall not be considered. The concurrence of the majority~~
30 ~~of the board members present shall be necessary to the~~
31 ~~validity of any action taken by the board.~~

32 SEC. 15. Section 22201.3 of the Education Code is
33 repealed.

34 ~~22201.3. The chief executive officer of the system shall~~
35 ~~act as secretary of the board and shall have charge of all~~
36 ~~board correspondence and shall keep a record of board~~
37 ~~proceedings.~~

38 SEC. 16. Section 22202 of the Education Code is
39 repealed.



1 ~~22202. The board has exclusive control of the~~
2 ~~administration of the funds. No transfers or~~
3 ~~disbursements of any amount from the funds shall be~~
4 ~~made except upon the authorization of the board for the~~
5 ~~purpose of carrying into effect the provisions of this part~~
6 ~~and Part 14 (commencing with Section 26000).~~

7 SEC. 17. Section 22203 of the Education Code is
8 repealed.

9 ~~22203. The board has exclusive control of the~~
10 ~~investment of the Teachers' Retirement Fund. Except as~~
11 ~~otherwise restricted by the California Constitution and~~
12 ~~by law, the board may in its discretion invest the assets of~~
13 ~~the fund through the purchase, holding, or sale thereof of~~
14 ~~any investment, financial instrument, or financial~~
15 ~~transaction when the investment, financial instrument,~~
16 ~~or financial transaction is prudent in the informed~~
17 ~~opinion of the board.~~

18 SEC. 18. Section 22203.5 of the Education Code is
19 repealed.

20 ~~22203.5. (a) All investment transaction decisions~~
21 ~~made during a closed session pursuant to paragraph (16)~~
22 ~~of subdivision (c) of Section 11126 of the Government~~
23 ~~Code shall be by rollcall vote entered into the minutes of~~
24 ~~that meeting.~~

25 ~~(b) The board, within 12 months of the close of an~~
26 ~~investment transaction or the transfer of system assets for~~
27 ~~an investment transaction, whichever occurs first, shall~~
28 ~~disclose and report the investment at a public meeting.~~

29 SEC. 19. Section 22204 of the Education Code is
30 repealed.

31 ~~22204. Each member of the board may administer~~
32 ~~oaths and affirmations to witnesses and others transacting~~
33 ~~the business of the system.~~

34 SEC. 20. Section 22205 of the Education Code is
35 repealed.

36 ~~22205. The board has the authority to negotiate, and~~
37 ~~enter into agreements with other states of the United~~
38 ~~States on the subject of the transfer of members'~~
39 ~~contributions and regular interest between the~~
40 ~~retirement systems of California and other states.~~



1 SEC. 21. Section 22206 of the Education Code is
2 repealed.

3 ~~22206. As often as the board determines necessary, it~~
4 ~~may audit or cause to be audited the records of any public~~
5 ~~agency.~~

6 SEC. 22. Section 22207 of the Education Code is
7 amended to read:

8 22207. The board shall perform any other acts
9 necessary for the administration of the ~~system and the~~
10 plan in carrying into effect the provisions of this part and
11 Part 14 (commencing with Section 26000).

12 SEC. 23. Section 22208 of the Education Code is
13 repealed.

14 ~~22208. The board may appoint a committee of two or~~
15 ~~more of its members to perform any act within the power~~
16 ~~of the board itself to perform. The board may also~~
17 ~~delegate authority to the chief executive officer to~~
18 ~~perform any such act. Except where the board, in~~
19 ~~delegating that authority, provides that the committee or~~
20 ~~the chief executive officer may act finally, all acts of the~~
21 ~~committee or the chief executive officer shall be reported~~
22 ~~to the board at its next regular meeting and shall be~~
23 ~~subject to review, ratification, or reversal by the board.~~

24 SEC. 24. Section 22209 of the Education Code is
25 repealed.

26 ~~22209. The office of chief executive officer shall be~~
27 ~~filled by appointment by the board and the appointee~~
28 ~~shall serve at the pleasure of the board.~~

29 SEC. 25. Section 22210 of the Education Code is
30 repealed.

31 ~~22210. (a) Reversal by the board of any act of the~~
32 ~~committee or the chief executive officer shall be effective~~
33 ~~on the date fixed by the board.~~

34 ~~(b) Payment of benefits prior to the board's action of~~
35 ~~reversal may not be affected by such an action, except for~~
36 ~~the recovery of the amounts paid, from the beneficiary~~
37 ~~receiving the amounts, as the board may direct.~~

38 SEC. 26. Section 22212 of the Education Code is
39 amended to read:



1 22212. The board shall appoint ~~such~~ *those* employees
2 as are necessary to administer the plan ~~and the system~~.

3 SEC. 27. Section 22217 of the Education Code is
4 repealed.

5 ~~22217. (a) The board shall employ a certified public
6 accountant or public accountant, who is not in public
7 employment, to audit the financial statements of the
8 system. The costs of the audit shall be paid from the
9 income of the retirement fund. The audit shall be made
10 annually commencing with the fiscal year ending June 30,
11 1974. The board shall file a copy of the audit report with
12 the Governor, the Secretary of the Senate, and the Chief
13 Clerk of the Assembly.~~

14 ~~(b) These audits shall not be duplicated by the
15 Department of Finance or the Auditor General. The
16 system shall be exempt from a pro rata general
17 administrative charge for auditing.~~

18 SEC. 28. Section 22218 of the Education Code is
19 repealed.

20 ~~22218. The board shall establish and maintain records
21 and accounts following recognized accounting principles
22 and controls.~~

23 SEC. 29. Section 22218.5 of the Education Code is
24 repealed.

25 ~~22218.5. The board, on March 1, 1995, and annually
26 thereafter, shall report to the fiscal committees of the
27 Legislature and to the Director of Finance the return on
28 investments and actual payroll subject to the system for
29 the prior fiscal year.~~

30 SEC. 30. Section 22221 of the Education Code is
31 repealed.

32 ~~22221. The board shall adopt, upon the
33 recommendation of the actuary of the system, any
34 mortality and other tables and interest rates necessary to
35 do the following:~~

36 ~~(a) Permit valuation of the assets and liabilities of the
37 system.~~

38 ~~(b) Make any determination or calculation necessary
39 to carry out this part.~~



1 SEC. 31. Section 22223 of the Education Code is
2 repealed.

3 ~~22223. The members of the board who are not~~
4 ~~members of the Defined Benefit Program or participants~~
5 ~~of the Cash Balance Benefit Program and who are~~
6 ~~appointed by the Governor pursuant to Section 22200~~
7 ~~shall receive one hundred dollars (\$100) for every day of~~
8 ~~actual attendance at meetings of the board or any~~
9 ~~meeting of any committee of the board of which the~~
10 ~~person is a member, and that is conducted for the purpose~~
11 ~~of carrying out the powers and duties of the board,~~
12 ~~together with their necessary traveling expenses~~
13 ~~incurred in connection with performance of their official~~
14 ~~duties.~~

15 SEC. 32. Section 22224 of the Education Code is
16 repealed.

17 ~~22224. Members of the Defined Benefit Program and~~
18 ~~participants of the Cash Balance Benefit Program, who~~
19 ~~are either appointed to the board by the Governor~~
20 ~~pursuant to Section 22200, or who are appointed by the~~
21 ~~board to serve on a committee or subcommittee of the~~
22 ~~board or a panel of the system, shall be granted, by his or~~
23 ~~her employer, sufficient time away from regular duties,~~
24 ~~without loss of compensation or other benefits to which~~
25 ~~the person is entitled by reason of employment, to attend~~
26 ~~meetings of the board or any of its committees or~~
27 ~~subcommittees of which the person is a member, or to~~
28 ~~serve as a member of a panel of the system, and to attend~~
29 ~~to the duties expected to be performed by the person.~~

30 SEC. 33. Section 22225 of the Education Code is
31 repealed.

32 ~~22225. (a) The compensation of the members of the~~
33 ~~Defined Benefit Program and participants of the Cash~~
34 ~~Balance Benefit Program who are appointed to the~~
35 ~~board, or by the board to a committee or subcommittee,~~
36 ~~or to a panel of the system, shall not be reduced by his or~~
37 ~~her employer for any absence from service occasioned by~~
38 ~~attendance upon the business of the board, pursuant to~~
39 ~~Section 22224.~~



1 ~~(b) Each employer that employs either a member of~~
2 ~~the Defined Benefit Program or a participant of the Cash~~
3 ~~Balance Benefit Program appointed pursuant to Section~~
4 ~~22224 and that employs a person to replace the member~~
5 ~~or participant during attendance at meetings of the~~
6 ~~board, its committees or subcommittees, or when serving~~
7 ~~as a member of a panel of the system, or when carrying~~
8 ~~out other duties approved by the board, shall be~~
9 ~~reimbursed from the retirement fund for the cost~~
10 ~~incurred by employing a replacement.~~

11 SEC. 34. Chapter 4 (commencing with Section 22250)
12 of Part 13 of Division 1 of Title 1 of the Education Code
13 is repealed.

14 SEC. 35. Section 22300 of the Education Code is
15 repealed.

16 ~~22300. The chief executive officer is the chief~~
17 ~~administrative officer of the system. The chief executive~~
18 ~~officer may administer oaths.~~

19 SEC. 36. Section 22301 of the Education Code is
20 repealed.

21 ~~22301. The chief executive officer has the authority~~
22 ~~and responsibility for the administration of the system~~
23 ~~and the plan pursuant to the policies and rules adopted~~
24 ~~by the board. The chief executive officer may delegate to~~
25 ~~his or her subordinates any act or duty unless the board~~
26 ~~by motion or resolution recorded in its minutes has~~
27 ~~required the chief executive officer to act personally.~~

28 SEC. 37. Section 22307 of the Education Code is
29 repealed.

30 ~~22307. (a) The board may authorize the transfer and~~
31 ~~disbursement of funds from the retirement fund for the~~
32 ~~purpose of carrying into effect this part and Part 14~~
33 ~~(commencing with Section 26000) upon the signature of~~
34 ~~either or both of its chairperson and vice chairperson or~~
35 ~~the chief executive officer or any employee of the system~~
36 ~~designated by the chief executive officer.~~

37 ~~(b) Notwithstanding Section 13340 of the~~
38 ~~Government Code, the board may disburse funds for the~~
39 ~~payment of benefits to members and beneficiaries of the~~
40 ~~Defined Benefit Program as well as to participants and~~



1 beneficiaries of the Cash Balance Benefit Program, for
2 the payment of refunds and for investment transactions
3 and these funds shall not be required to be appropriated
4 through the annual Budget Act. Funds for the payment
5 of administrative expenses are not continuously
6 appropriated, and shall be appropriated by the annual
7 Budget Act.

8 SEC. 38. Section 22311 of the Education Code is
9 repealed.

10 22311. (a) The board shall keep in convenient form
11 any data necessary for the actuarial valuation of the plan.

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

36 SEC. 39. Section 22322 of the Education Code is
37 repealed.

38 22322. The system shall report monthly to the board
39 on all late payments.



1 SEC. 40. Section 22323 of the Education Code is
2 repealed.

3 ~~22323. The system shall report monthly to the board
4 concerning outstanding death benefits payable that have
5 not been paid within six months of the notification of the
6 death of the member.~~

7 SEC. 41. Section 22324 of the Education Code is
8 repealed.

9 ~~22324. The board shall file an annual report with the
10 Governor and the Legislature by March 1 of each year on
11 all phases of its work that could affect the need for public
12 contributions for costs of administration of the system,
13 including the subjects of benefits, programs, practices,
14 procedures, comments on trends and developments in
15 the field of retirement, and the following information on
16 the assets of the plan:~~

17 ~~(a) A copy of the annual audit performed pursuant to
18 Section 22217.~~

19 ~~(b) A certification letter from the system's consulting
20 actuary concerning the findings of the most recent
21 actuarial valuation, accompanied by summaries of the
22 actuarial cost method, assumptions, and demographic
23 data and analysis of funding progress.~~

24 ~~(c) A review of the system's asset mix strategy, a
25 market review or the economic and financial
26 environment in which investments were made, and a
27 summary of the system's general investment strategy.~~

28 ~~(d) A description of the investments of the system at
29 cost and market value, and a summary of major changes
30 that occurred since the previous year.~~

31 ~~(e) The following information regarding the rate of
32 return of the system by asset type:~~

33 ~~(1) Time-weighted market value rate of return on a
34 five-year, three-year, and one-year basis.~~

35 ~~(2) Time-weighted book value rate of return on a
36 five-year, three-year, and one-year basis.~~

37 ~~(3) Portfolio return comparisons that compare
38 investment returns with universes and indexes.~~

39 ~~(f) A report on the use of outside investment advisers
40 and managers.~~



1 ~~(g) A report on shareholder voting.~~
2 SEC. 42. Section 22330 of the Education Code is
3 repealed.

4 ~~22330. (a) The board shall provide the Legislature~~
5 ~~with an analysis of the asset and liability implications of~~
6 ~~each bill that would affect the investment strategy of the~~
7 ~~system, the funding of the plan, or the benefit structure~~
8 ~~of the plan. The analysis shall include an explanation of~~
9 ~~the methodology employed and the assumptions used in~~
10 ~~its preparation. Neither fiscal committee of the~~
11 ~~Legislature shall hear any such bill until the analysis has~~
12 ~~been provided to the committee.~~

13 ~~(b) There is hereby continuously appropriated,~~
14 ~~without regard to fiscal years, from the retirement fund,~~
15 ~~an amount sufficient to pay all costs arising from~~
16 ~~subdivision (a), but not to exceed fifty thousand dollars~~
17 ~~(\$50,000) in any one fiscal year.~~

18 SEC. 43. Chapter 6 (commencing with Section 22350)
19 of Part 13 of Division 1 of Title 1 of the Education Code
20 is repealed.

21 SEC. 44. Chapter 6 (commencing with Section 22360)
22 is added to Part 13 of Division 1 of Title 1 of the Education
23 Code, to read:

24

25 CHAPTER 6. HOME LOAN PROGRAM

26

27 22360. (a) Notwithstanding any other provision of
28 law, the board may enter into correspondent agreements
29 with private lending institutions in this state to utilize the
30 retirement fund to invest in residential mortgages,
31 including assisting borrowers, through financing, to
32 obtain homes in this state.

33 (b) The program shall, among other things, provide:

34 (1) That home loans be made available to borrowers
35 for the purchase of single-family dwellings, two-family
36 dwellings, three-family dwellings, four-family dwellings,
37 single-family cooperative apartments, and single-family
38 condominiums.



1 (2) That the recipients of the loans occupy the homes
2 as their principal residences in accordance with policies
3 established by the board.

4 (3) That the home loans shall be available only for the
5 purchase or refinance of homes in this state.

6 (4) That the amount and length of the loans shall be
7 pursuant to a schedule periodically established by the
8 board that shall provide a loan of up to 100 percent of the
9 appraised value. In no event shall the loan amount exceed
10 three hundred fifty thousand dollars (\$350,000). The
11 portion of any loan exceeding 80 percent of value shall be
12 insured by an admitted mortgage guaranty insurer
13 conforming to Chapter 2A (commencing with Section
14 12640.01) of Part 6 of Division 2 of the Insurance Code, in
15 an amount so that the unguaranteed portion of the loan
16 does not exceed 75 percent of the market value of the
17 property together with improvements thereon.

18 (5) That there may be prepayment penalties assessed
19 on the loans in accordance with policies established by the
20 board.

21 (6) That the criteria and terms for its loans shall be
22 consistent with the financial integrity of the program and
23 the sound investment of the retirement fund.

24 (7) Any other terms and conditions as the board shall
25 deem appropriate.

26 (c) It is the intent of the Legislature that the provisions
27 of this section be used to establish an investment program
28 for residential mortgages, including assisting borrowers
29 in purchasing homes in this state, or refinancing a
30 mortgage loan. The Legislature intends that home loans
31 made pursuant to this section shall be secured primarily
32 by the property purchased or refinanced and shall not
33 exceed the appraised value of that property.

34 (d) Appropriate administrative costs of implementing
35 this section and Section 22360.5 shall be paid by the
36 participating borrowers. Those costs may be included in
37 the loan amount.

38 (e) Appropriate interest rates shall be periodically
39 reviewed and adjusted to provide loans to borrowers
40 consistent with the financial integrity of the home loan



1 program and the sound and prudent investment of the
2 retirement fund. Under no circumstances, however, shall
3 the interest rates offered to borrowers be below current
4 market rate.

5 (f) The board shall administer this section and Section
6 22360.5 under other terms and conditions it deems
7 appropriate and in keeping with the investment
8 standard. The board may adopt policies as necessary for
9 its administration of this section and Section 22360.5 and
10 to assure compliance with applicable state and federal
11 laws.

12 (g) This section and Section 22360.5 shall be known as,
13 and may be cited as, the Dave Elder State Teachers'
14 Retirement Plan Home Loan Program Act.

15 22360.5. (a) The board may include in any
16 investment program established pursuant to Section
17 22360 a procedure whereby a member may obtain 100
18 percent financing for the purchase for a single-family
19 dwelling unit in accordance with the following criteria:

20 (1) The member shall obtain one loan secured by the
21 purchased home, pursuant to Section 22360, and a second
22 personal loan secured by a portion of the accumulated
23 retirement contributions in the member's individual
24 account. The personal loan shall only be used for the
25 purchase of the member's principal residence and not for
26 a loan to refinance the member's existing mortgage.

27 (2) The loan secured by the purchased home shall be
28 consistent with the requirements imposed by Section
29 22360.

30 (3) In no event may the personal loan secured by the
31 accumulated retirement contributions in the member's
32 individual account exceed the lesser of 50 percent of the
33 current value amount of the accumulated retirement
34 contributions or fifty thousand dollars (\$50,000).

35 (4) If two members are married, the personal loan
36 secured by the sum total of accumulated retirement
37 contributions in both members' accounts shall not exceed
38 5 percent of the loan.

39 (5) The pledge of security under this section shall
40 remain in effect until the personal loan is paid in full.



1 (b) The pledge of security under this section shall take
2 binding effect. In the event of a default on the personal
3 loan secured by the member's retirement contributions
4 as authorized by this section, the board shall deduct an
5 amount from the member's accumulated retirement
6 contributions on deposit and adjust the member's
7 accumulated retirement contributions as necessary to
8 recover any outstanding loan balance prior to making any
9 disbursement of a refund or a lump-sum distribution.

10 (c) In the event of a default on the personal loan by a
11 member, the board shall deduct the monthly principal
12 plus appropriate interest from the member's benefit,
13 when the member begins receiving a benefit, until the
14 loan is paid in full.

15 (d) In the event of a default on the personal loan by a
16 member receiving a benefit, the board shall deduct the
17 monthly principal and interest from the member's
18 benefit until the personal loan is paid in full.

19 (e) The secured personal loan permitted under this
20 section shall be made available only to members who
21 meet eligibility criteria as determined by the board.

22 (f) In the event of a refund or lump-sum distribution
23 of the accumulated retirement contributions, the
24 member's account shall be adjusted as necessary to
25 recover any outstanding loan balance.

26 (g) If the member is married at the time the home is
27 purchased with a personal loan secured by the member's
28 accumulated retirement contributions as authorized by
29 this section, then the member's spouse shall agree in
30 writing to the pledge of security, as to his or her
31 community interest in the amount pledged, regardless of
32 whether title to the home is held in joint tenancy.

33 (h) For purposes of the section only, "member" means
34 any person who is entitled to receive an allowance funded
35 by the system pursuant to this part or Part 14
36 (commencing with Section 26000), notwithstanding any
37 vesting requirement and without regard to present
38 eligibility to retire, and who is not retired or disabled.

39 22361. (a) The board may, subject to and consistent
40 with its fiduciary duty, establish a program utilizing the



1 retirement fund to assist currently employed members
 2 and retired members who are victims of a natural disaster
 3 to obtain loans from the retirement fund for the sole
 4 purpose of repairing or rebuilding their homes that have
 5 been damaged by a natural disaster. In order to qualify for
 6 such a loan, the home of the currently employed member
 7 or retired member shall have been damaged by a natural
 8 disaster and the home shall have been in an area that has
 9 been declared a disaster area in a proclamation of the
 10 Governor of a state of emergency affecting the area in
 11 which the currently employed member or retired
 12 member resides.

13 (b) The board may loan any amount of money, up to
 14 and including 100 percent of the current appraised value
 15 of a home of a currently employed member or retired
 16 member. However, 5 percent of the loan may, at the
 17 discretion of the board, be secured by the contributions
 18 of the member who requests the loan.

19 (c) The board may, under such conditions as it may
 20 deem prudent, require that a currently employed
 21 member or retired member pledge other assets as
 22 collateral for a loan.

23 (d) The board shall establish terms for the termination
 24 of loans made pursuant to this section upon the separation
 25 of members from service, to ensure, in the case of any
 26 default, that the fund shall not suffer any loss and to
 27 provide, as a condition of retirement, for alternative
 28 security. The board may impose any other terms and
 29 conditions the board may determine appropriate.

30 (e) The Legislature hereby reserves full power and
 31 authority to change, revise, limit, expand, or repeal the
 32 loan program authorized by this section.

33 SEC. 45. The heading of Chapter 7 (commencing
 34 with Section 22375) of Part 13 of Division 1 of Title 1 of the
 35 Education Code is amended to read:

36

37 CHAPTER 7. ~~SYSTEM~~ PLAN HEADQUARTERS

38 SEC. 46. Section 22375 of the Education Code is
 39 amended to read:



1 22375. Notwithstanding ~~Section 20205.9 or~~ Part 11
2 (commencing with Section 15850) of Division 3 of Title
3 2 of the Government Code, the board may select,
4 purchase, or acquire in the name of the plan, the fee or
5 any lesser interest in real property, improved or
6 unimproved, and may remodel and equip, or construct an
7 office building in the County of Sacramento for the
8 purposes of establishing a permanent headquarters
9 facility for the ~~system~~ plan.

10 SEC. 47. Section 22400 of the Education Code is
11 amended to read:

12 22400. ~~(a) There is in the State Treasury a special~~
13 ~~trust fund to be known as the~~ The Teachers' Retirement
14 Fund. ~~There shall be deposited in that fund is abolished~~
15 *and* the assets of the plan and its predecessors, consisting
16 of employee contributions, employer contributions, state
17 contributions, appropriations made to it by the
18 Legislature, income on investments, other interest
19 income, income from fees and penalties, donations,
20 legacies, bequests made to it and accepted by the board,
21 and any other amounts provided by this part and Part 14
22 *(commencing with Section 26000) shall be deposited and*
23 *held in trust, for the benefit of the members and retired*
24 *members of the Defined Benefit Program and*
25 *participants and retired participants of the Cash Balance*
26 *Benefit Program, in the Public Employees' Retirement*
27 *Fund pursuant to Article 5 (commencing with Section*
28 *20170) of Part 3 of Division 5 of Title 2 of the Government*
29 *Code. General Fund transfers pursuant to Section 22954*
30 *shall be placed in a segregated account known as the*
31 *Supplemental Benefit Maintenance Account within the*
32 *retirement fund, which account is continuously*
33 *appropriated without regard to fiscal years,*
34 *notwithstanding Section 13340 of the Government Code,*
35 *for expenditure for the purposes of Section 24415.*

36 ~~(b) Disbursement of money from the retirement fund~~
37 ~~of whatever nature shall be made upon claims duly~~
38 ~~audited in the manner prescribed for the disbursement~~
39 ~~of other public funds except that notwithstanding the~~



1 foregoing disbursements may be made to return funds
2 deposited in the fund in error.

3 SEC. 48. Section 22401 of the Education Code is
4 repealed.

5 ~~22401. Return on investments shall be collected by
6 the Treasurer, and together with any other moneys
7 received for the retirement fund shall be immediately
8 deposited to the credit of that fund and reported
9 immediately to the system. Money in whatever form
10 received directly by the system shall be deposited
11 immediately in the State Treasury to the credit of that
12 fund.~~

13 SEC. 49. Section 22403 of the Education Code is
14 repealed.

15 ~~22403. The Legislature hereby finds and declares that
16 pursuant to the authorizing legislation creating and
17 establishing the Cash Balance Plan, the board transferred
18 one million dollars (\$1,000,000) in the form of a loan from
19 the retirement fund holding assets at that time
20 exclusively for the State Teachers' Retirement System
21 Defined Benefit Plan to the newly created Cash Balance
22 Plan. That loan represented an asset receivable to the
23 State Teachers' Retirement System Defined Benefit Plan
24 and a liability obligation to the State Teachers'
25 Retirement System Cash Balance Plan. As a result of the
26 merger of these two plans authorized under this part, the
27 assets held in the retirement fund shall hereby reflect the
28 combined assets of the State Teachers' Retirement Plan.
29 That loan shall be discharged by the creation and
30 establishment of the State Teachers' Retirement Plan
31 pursuant to the merger.~~

32 SEC. 50. Section 22500.5 is added to the Education
33 Code, to read:

34 22500.5. All persons who were members of the
35 Defined Benefit Program under the plan on December
36 31, 2000, are members of the Defined Benefit Program
37 under the plan in the Public Employees' Retirement
38 System.

39 SEC. 51. Section 22508 of the Education Code is
40 amended to read:



1 22508. (a) A member who becomes employed by the
2 same or a different school district, community college
3 district, or a county superintendent to perform service
4 that requires membership in a different public
5 retirement system *or under the state or local*
6 *miscellaneous classification under this system*, may elect
7 to have that service subject to coverage by the Defined
8 Benefit Program of this plan and excluded from coverage
9 by the other public retirement system *or in the state or*
10 *local miscellaneous classification under this system*. The
11 election shall be made in writing on a form prescribed by
12 this system within 60 days from the date of hire in the
13 position requiring membership in the other public
14 retirement system *or under the state or local*
15 *miscellaneous classification under this system*. If that
16 election is made, the service performed for the employer
17 after the date of hire shall be considered creditable
18 service for purposes of this part.

19 (b) A member of the ~~Public Employees' Retirement~~
20 ~~System~~ system who is employed by a school district,
21 community college district, or a county superintendent
22 and who is subsequently employed to perform creditable
23 service subject to coverage by the Defined Benefit
24 Program of this plan may elect to have that service
25 subject to coverage by the ~~Public Employees' Retirement~~
26 ~~System~~ system *under the applicable state or local*
27 *miscellaneous classification* and excluded from coverage
28 by the Defined Benefit Program. The election shall be
29 made in writing on a form prescribed by this system
30 within 60 days from the date of hire to perform creditable
31 service. If that election is made, creditable service
32 performed for the employer after the date of hire shall be
33 ~~subject to coverage by the Public Employees' Retirement~~
34 ~~System~~ *considered creditable service for purposes state*
35 *or local miscellaneous classification under this system*.

36 (c) An election made by a member pursuant to this
37 section shall be irrevocable.

38 SEC. 52. Section 22508.5 of the Education Code is
39 amended to read:



1 22508.5. (a) Any person who is a member of the
 2 Defined Benefit Program of the State Teachers'
 3 Retirement Plan employed by a community college
 4 district who subsequently is employed by the Board of
 5 Governors of the California Community Colleges to
 6 perform duties that are subject to membership in a
 7 different public retirement system *or in the state*
 8 *miscellaneous membership classification under this*
 9 *system*, shall be excluded from membership in that
 10 different system *or classification* if he or she elects, in
 11 writing, and files that election in the office of the ~~State~~
 12 ~~Teachers' Retirement System~~ *system* within 60 days after
 13 the person's entry into the new position, to continue as a
 14 member of the Defined Benefit Program. Only a person
 15 who has achieved plan vesting is eligible to elect to
 16 continue as a member of the program.

17 (b) A member of the ~~State Teachers' Retirement~~
 18 ~~System~~ *system* who is employed by the Board of
 19 Governors of the California Community Colleges who
 20 subsequently is employed by a community college district
 21 to perform creditable service subject to coverage under
 22 the Defined Benefit Program, may elect to have that
 23 service subject to coverage ~~by the Public Employees'~~
 24 ~~Retirement System~~ *under the state miscellaneous*
 25 *classification* and excluded from coverage under the
 26 Defined Benefit Program pursuant to Section 20309 of the
 27 Government Code.

28 (c) This section shall apply to changes in employment
 29 effective on or after January 1, 1998.

30 SEC. 53. Section 22509 of the Education Code is
 31 amended to read:

32 22509. (a) Within 10 working days of the date of hire
 33 of an employee who has the right to make an election
 34 pursuant to Section 22508 or 22508.5, the employer shall
 35 inform the employee of the right to make an election and
 36 shall make available to the employee written information
 37 provided by ~~each~~ *this system and the other* retirement
 38 *system, if any*, concerning the benefits provided under
 39 ~~that~~ *the applicable classification or classifications in this*



1 *system and in the retirement system, if any, to assist the*
2 *employee in making an election.*

3 (b) Any election made pursuant to ~~subdivision (a) of~~
4 ~~Section 22508 or subdivision (a) of Section 22508.5~~ shall be
5 filed with the office of the ~~State Teachers' Retirement~~
6 ~~System~~ *system* and, *if applicable*, a copy of the election
7 shall be filed with the other public retirement system.
8 ~~Any election made pursuant to subdivision (b) of Section~~
9 ~~22508 or subdivision (b) of Section 22508.5 shall be filed~~
10 ~~with the office of the Public Employees' Retirement~~
11 ~~System and a copy of the election shall be filed with the~~
12 ~~office of this system.~~

13 (c) Any election made pursuant to Section 22508 or
14 ~~Section 22508.5~~ shall become effective as of the first day
15 of employment in the position that qualified the
16 employee to make an election.

17 SEC. 54. Section 22510 of the Education Code is
18 repealed.

19 ~~22510. Members who on January 1, 1976, are in state~~
20 ~~service positions according to former Section 13948 as it~~
21 ~~read on December 31, 1975, or who are employees of the~~
22 ~~Trustees of the California State University, may elect in~~
23 ~~writing prior to July 1, 1976, not to continue as members~~
24 ~~of this system and to transfer membership to the Public~~
25 ~~Employees' Retirement System. Failure to execute and~~
26 ~~file the election, which shall be received in the office of~~
27 ~~this system by the close of business on June 30, 1976, shall~~
28 ~~be deemed a decision to remain a member of the plan.~~

29 SEC. 55. Section 22512 of the Education Code is
30 repealed.

31 ~~22512. If a member elects membership in the Public~~
32 ~~Employees' Retirement System under Section 22510, this~~
33 ~~election shall not be counted as a break in service if~~
34 ~~employment is continuous.~~

35 SEC. 56. Section 22513 of the Education Code is
36 amended to read:

37 22513. Members of the Defined Benefit Program who
38 elect membership in the ~~Public Employees' Retirement~~
39 ~~System~~ *state or local miscellaneous classification under*
40 *this system* and have achieved plan vesting according to



1 Section 22156 shall retain the vested rights to survivor and
2 disability benefits under this part until they qualify for the
3 similar benefits in the ~~Public Employees' Retirement~~
4 ~~System~~ *state or local miscellaneous classification under*
5 *this system.*

6 SEC. 57. Section 22514 of the Education Code is
7 amended to read:

8 22514. Members who have not achieved plan vesting
9 shall become eligible for benefits under the Defined
10 Benefit Program when total service under the Defined
11 Benefit Program and the ~~Public Employees' Retirement~~
12 ~~System~~ *state or local miscellaneous classification* equals
13 the minimum required under Sections 23801 and 23804.
14 These members shall retain vested rights to survivor and
15 disability benefits under this plan until they qualify for
16 the similar benefits under the ~~Public Employees'~~
17 ~~Retirement System~~ *state or local miscellaneous*
18 *classification.*

19 SEC. 58. Section 22801 of the Education Code is
20 amended to read:

21 22801. (a) A member who elects to receive
22 additional service credit as provided in this chapter shall
23 pay, prior to retirement, all contributions with respect to
24 that service at the contribution rate for additional service
25 credit, adopted by the board as a plan amendment, in
26 effect at the time of election. If the system is unable to
27 inform the member or beneficiary of the amount
28 required to purchase additional service credit prior to the
29 effective date of the applicable allowance, the member or
30 beneficiary may make the required payment within 30
31 working days after the date of mailing of the statement
32 of contributions and interest required or the effective
33 date of the appropriate allowance, whichever is later. The
34 payment shall be paid in full before a member or
35 beneficiary receives any adjustment in the appropriate
36 allowance due because of that payment. Contributions
37 shall be made in a lump sum, or in not more than 120
38 monthly installments. No installment, except the final
39 installment, shall be less than twenty-five dollars (\$25).



1 (b) If the member is employed to perform creditable
2 service subject to coverage by the Defined Benefit
3 Program at the time of the election, the contributions
4 shall be based upon the compensation earnable in the
5 current school year or either of the two immediately
6 preceding school years, whichever is highest.

7 (c) If the member is not employed to perform
8 creditable service subject to coverage by the Defined
9 Benefit Program at the time of the election, the
10 contributions shall be based upon the compensation
11 earnable in the last school year of credited service or
12 either of the two immediately preceding school years,
13 whichever is highest.

14 (d) The employer may pay the amount required as
15 employer contributions for additional service credited
16 under paragraphs (2), (6), (7), (8), ~~and (9)~~, and (10) of
17 subdivision (a) of Section 22803.

18 ~~(e) The Public Employees' Retirement System shall~~
19 ~~transfer the actuarial present value of the assets of a~~
20 ~~person who makes an election pursuant to paragraph~~
21 ~~(10) of subdivision (a) of Section 22803.~~

22 ~~(f) Regular interest shall be charged on all~~
23 ~~contributions from the end of the school year on which~~
24 ~~the contributions were based to the date of payment.~~

25 ~~(g)~~
26 (f) Regular interest shall be charged on the monthly
27 unpaid balance if the member pays in installments.
28 Regular interest shall not be charged or be payable for the
29 period of a delay caused by the system's inability or failure
30 to determine and inform the member or beneficiary of
31 the amount of contributions and interest that is payable.
32 The period of delay shall commence on the 20th day
33 following the day on which the member or beneficiary
34 who wishes to make payment evidences in writing to the
35 system that he or she is ready, willing, and able to make
36 payment to the system. The period of delay shall cease on
37 the first day of the month following the mailing of
38 notification of contributions and interest payable.

39 SEC. 59. Section 22803 of the Education Code is
40 amended to read:



1 22803. (a) A member may elect to receive credit for
2 any of the following:

3 (1) Service performed in a teaching position in a
4 publicly supported and administered university or
5 college in this state.

6 (2) Service performed in a certificated teaching
7 position in a child care center operated by a county
8 superintendent of schools or a school district in this state.

9 (3) Service performed in a teaching position in the
10 California School for the Deaf or the California School for
11 the Blind, or in special classes maintained by the public
12 schools of this state for the instruction of the deaf, the hard
13 of hearing, the blind, or the semisighted.

14 (4) Service performed in a certificated teaching
15 position in a federally supported and administered Indian
16 school in this state.

17 (5) Time served, not to exceed two years, in a
18 certificated teaching position in a job corps center
19 administered by the United States government in this
20 state if the member was employed to perform creditable
21 service subject to coverage under the Defined Benefit
22 Program within one year prior to entering the job corps
23 and returned to employment to perform creditable
24 service subject to coverage under the Defined Benefit
25 Program within six months following the date of
26 termination of service in the job corps.

27 (6) Time spent on a sabbatical leave after July 1, 1956.

28 (7) Time spent on an approved leave to participate in
29 any program under the federal Mutual Educational and
30 Cultural Exchange Program.

31 (8) Time spent on an approved maternity or paternity
32 leave of two years or less in duration, regardless of
33 whether or not the leave was taken before or after the
34 addition of this subdivision.

35 (9) Time spent on an approved leave, up to four
36 months in any 12-month period, for family care or
37 medical leave purposes, as defined by Section 12945.2 of
38 the Government Code, as it read on the date leave was
39 granted, excluding maternity and paternity leave.



1 (10) Time spent employed by the Board of Governors
2 of the California Community Colleges in a position
3 subject to ~~coverage by the Public Employees' Retirement~~
4 ~~System~~ *the state or local miscellaneous classification*
5 *under this system* between July 1, 1991, and December 31,
6 1997, provided the member has elected to return to
7 coverage under the ~~State Teachers' Retirement System~~
8 *Defined Benefit Program* pursuant to Section 20309 of the
9 Government Code.

10 (b) In no event shall the member receive credit for
11 service or time described in paragraphs (1) to (10),
12 inclusive, of subdivision (a) if the member has received
13 or is eligible to receive credit for the same service or time
14 in the Cash Balance Benefit Program under Part 14
15 (commencing with Section 26000) or another retirement
16 system.

17 SEC. 60. Section 22950 of the Education Code is
18 amended to read:

19 22950. Employers shall contribute monthly to the
20 ~~Teachers' Retirement Fund~~ *retirement fund* 8 percent of
21 the creditable compensation upon which members'
22 contributions under this part are based.

23 SEC. 61. Section 22951 of the Education Code is
24 amended to read:

25 22951. In addition to any other contributions required
26 by this part, employers shall, on account of liability for
27 benefits pursuant to Section 22717, contribute monthly to
28 the ~~Teachers' Retirement Fund~~ *retirement fund* 0.25
29 percent of the creditable compensation upon which
30 members' contributions are based.

31 SEC. 62. Section 22954 of the Education Code is
32 amended to read:

33 22954. (a) Notwithstanding Section 13340 of the
34 Government Code, commencing July 1, 1999, a
35 continuous appropriation is hereby annually made from
36 the General Fund to the Controller, pursuant to this
37 section, for transfer to the Supplemental Benefit
38 Maintenance Account in the ~~Teachers' Retirement Fund~~
39 *retirement fund*. The total amount of the appropriation
40 for each year shall be equal to 2.5 percent of the total of



1 the creditable compensation of the immediately
2 preceding calendar year upon which members'
3 contributions are based for purposes of funding the
4 supplemental payments authorized by Section 24415.

5 (b) The board may deduct from the annual
6 appropriation made pursuant to this section an amount
7 necessary for the administrative expenses of Section
8 24415.

9 (c) It is the intent of the Legislature in enacting this
10 section to establish the supplemental payments pursuant
11 to Section 24415 as vested benefits pursuant to a
12 contractually enforceable promise to make annual
13 contributions from the General Fund to the
14 Supplemental Benefit Maintenance Account in the
15 ~~Teachers' Retirement Fund~~ *retirement fund* in order to
16 provide a continuous annual source of revenue for the
17 purposes of making the supplemental payments under
18 Section 24415.

19 SEC. 63. Section 22954.5 of the Education Code is
20 repealed.

21 ~~22954.5. For the 1998-99 fiscal year, the contributions~~
22 ~~required by Section 22954 shall be reduced by the total~~
23 ~~value of the state's interest in the school lands from the~~
24 ~~sale of the Elk Hills Naval Petroleum Reserve. That sale~~
25 ~~is expected in February 1998.~~

26 SEC. 64. Section 22955 of the Education Code is
27 amended to read:

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



1 (b) Notwithstanding Section 13340 of the
2 Government Code, commencing October 1, 1998, a
3 continuous appropriation, in addition to the
4 appropriation made by subdivision (a), is hereby
5 annually made from the General Fund to the Controller
6 for transfer to the ~~Teachers' Retirement Fund~~ *retirement*
7 *fund*. The total amount of the appropriation for each year
8 shall be equal to 0.524 percent of the total of the creditable
9 compensation of the immediately preceding calendar
10 year upon which members' contributions are based, to be
11 calculated annually on October 1, and shall be divided
12 into four equal quarterly payments. The percentage shall
13 be adjusted to reflect the contribution required to fund
14 the normal cost deficit or the unfunded obligation as
15 determined by the board based upon a recommendation
16 from its actuary. If a rate increase is required, the
17 adjustment may be for no more than 0.25 percent per
18 year and in no case may the transfer made pursuant to this
19 subdivision exceed 1.505 percent of the total of the
20 creditable compensation of the immediately preceding
21 calendar year upon which members' contributions are
22 based. At any time when there is neither an unfunded
23 obligation nor a normal cost deficit, the percentage shall
24 be reduced to zero.

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

29 (c) For the purposes of this section, the term "normal
30 cost deficit" means the difference between the normal
31 cost rate as determined in the actuarial valuation
32 ~~required by Section 22311~~ and the total of the member
33 contribution rate required under Section 22901 and the
34 employer contribution rate required under Section
35 22950, and shall exclude (1) the portion for unused sick
36 leave service credit granted pursuant to Section 22717,
37 and (2) the cost of benefit increases that occur after July
38 1, 1990. The contribution rates prescribed in Section
39 22901 and Section 22950 on July 1, 1990, shall be utilized
40 to make the calculations. The normal cost deficit shall



1 then be multiplied by the total of the creditable
2 compensation upon which member contributions under
3 this part are based to determine the dollar amount of the
4 normal cost deficit for the year.

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

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

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

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

24 SEC. 65. Section 23001 of the Education Code is
25 amended to read:

26 23001. Each county superintendent shall draw his or
27 her requisitions for contributions required by Sections
28 22901 and 22950 in favor of the ~~State Teachers' Public~~
29 ~~Employees' Retirement System~~, and the requisitions,
30 when allowed and signed by the county auditor, shall
31 constitute a warrant against the county treasury. The
32 county superintendent thereupon shall forward the
33 warrants to the board in Sacramento. The amounts
34 received shall be deposited immediately in the State
35 Treasury to the ~~Teachers' Retirement Fund~~ *retirement*
36 *fund*.

37 SEC. 66. Section 23007 of the Education Code is
38 amended to read:

39 23007. Should any county superintendent fail to make
40 payment of any assessment by the board, the Controller



1 shall, upon order of the board, withhold subsequent
2 payments from the State School Fund to the county for
3 deposit in the county school service fund or, upon the
4 request of a county superintendent of schools to the
5 county auditor, he or she shall withhold payments to a
6 school district for deposit in the district general fund until
7 the contributions and report are received in acceptable
8 form in the office of the system and the board directs the
9 Controller to make those payments less the amount of the
10 assessments to the county that would have been paid had
11 no payments been withheld. The Controller shall
12 thereupon pay to the system the amount of the
13 assessments withheld for deposit in the State Treasury to
14 the ~~Teachers' Retirement Fund~~ *retirement fund*.

15 SEC. 67. Section 23008 of the Education Code is
16 amended to read:

17 23008. (a) If more or less than the required
18 contributions specified in this part and Section 44987 are
19 paid to the system based on any payment of creditable
20 compensation to a member, proper adjustments shall be
21 made by the county superintendent or other employing
22 agency on a monthly report within 60 days of discovery
23 or of notification by the system and any refunds shall be
24 made to the member within the same time period by the
25 employing agency.

26 (b) The board may assess penalties for late or
27 improper adjustments pursuant to Section 23006. These
28 penalties shall be no more than the regular interest as
29 defined in Section 22162. The penalty so assessed shall be
30 deemed interest earned in the year in which it was
31 received.

32 (c) If a required report contains erroneous
33 information and the system, acting in good faith,
34 disburses funds from the ~~Teachers' Retirement Fund~~
35 *retirement fund* based on that information, the county
36 superintendent or other employing agency who
37 submitted the report shall reimburse the retirement fund
38 in full for the amount of the erroneous disbursement.
39 Reimbursement shall be made immediately upon
40 notification by the system.



1 SEC. 68. Section 23201 of the Education Code is
2 amended to read:

3 23201. Any person whose accumulated retirement
4 contributions were refunded, who wishes to establish
5 concurrent membership, and who has received, or will
6 qualify to receive, a retirement allowance from one or
7 more of the retirement systems *or membership*
8 *classifications* defined in Section 22115.2, may elect to
9 redeposit the accumulated retirement contributions that
10 were refunded, with regular interest from the date of
11 refund to the date of payment, without being employed
12 to perform creditable service subject to coverage under
13 the Defined Benefit Program.

14 SEC. 69. Section 24201 of the Education Code is
15 amended to read:

16 24201. (a) A member may retire for service under
17 this part upon written application for retirement to the
18 board, under paragraph (1) or (2) as follows:

19 (1) The member has attained the age of 55 years or
20 more and has at least five years of credited service, at least
21 one year of which has been performed subsequent to the
22 most recent refund of accumulated retirement
23 contributions. The five years of credited service may
24 include out-of-state service purchased pursuant to
25 Section 22820. The number of years of credited service
26 performed in California shall not be less than the number
27 of years necessary to determine final compensation
28 pursuant to Section 22134 or 22135, whichever is
29 applicable to the member.

30 (2) The member is credited with service that is not
31 used as a basis for benefits under any other public
32 retirement system *or under any other membership*
33 *classification*, excluding the federal social security system,
34 if the member has attained the age of 55 years or older and
35 retires concurrently under one or more of the retirement
36 systems *or membership classifications* with which the
37 member has concurrent membership as defined in
38 Section 22115.2.



1 (b) Application for retirement under paragraph (2) of
2 subdivision (a) may be made even if the member has not
3 earned five years of service.

4 SEC. 70. Section 24255 of the Education Code is
5 amended to read:

6 24255. (a) There is in the State Treasury a trust fund
7 to be known as the Teachers' Replacement Benefits
8 Program Fund. There shall be deposited directly in that
9 fund, and not transferred from the ~~Teachers' Retirement~~
10 ~~Fund~~ *retirement fund*, that portion of employer
11 contributions determined by the board as necessary to
12 fund the replacement benefits program.

13 (b) Notwithstanding Section 13340 of the
14 Government Code, moneys in the Teachers'
15 Replacement Benefits Program Fund are continuously
16 appropriated without regard to fiscal years to pay benefits
17 to members and beneficiaries of the ~~defined-benefit~~
18 ~~program~~ *Defined Benefit Program*, and to pay related
19 administrative expenses.

20 (c) The board may authorize the transfer and
21 disbursement of funds from the Teachers' Replacement
22 Benefits Program Fund for the purpose of carrying into
23 effect this chapter upon the signature of either or both of
24 its chairperson and vice chairperson or the chief
25 executive officer or any employee of the system
26 designated by the chief executive officer.

27 (d) Disbursements of money from the Teachers'
28 Replacement Benefits Program Fund of whatever nature
29 shall be made upon claims duly audited in the manner
30 prescribed for the disbursement of other public funds
31 except that notwithstanding the foregoing disbursements
32 may be made to return funds deposited in the fund in
33 error.

34 SEC. 71. Section 24260 of the Education Code is
35 amended to read:

36 24260. (a) A replacement benefits program is hereby
37 established under this chapter for the exclusive purpose
38 of providing to members or their beneficiaries in
39 accordance with subdivisions (c) and (d) that portion of
40 the annual benefit of the member or the member's



1 beneficiaries otherwise payable under the provisions of
2 this part that exceeds the limitations on the dollar amount
3 of annual benefit under Section 415 of the Internal
4 Revenue Code of 1986 (26 U.S.C. Sec. 415) as applicable
5 to a governmental plan, as defined in subdivision (d) of
6 Section 414.

7 (b) The replacement benefits program established by
8 this chapter is intended to comply with the provisions of
9 Section 415(m) of the Internal Revenue Code of 1986 (26
10 U.S.C. Sec. 415(m)).

11 (c) In any case in which (1) the annual benefit of the
12 member or the member's beneficiaries for the calendar
13 year otherwise payable under the terms of this part, as
14 measured under the provisions of Section 415(b)(2) of
15 the Internal Revenue Code of 1986 (26 U.S.C. Sec.
16 415(b)(2)) and adjusted to exclude the portion of the
17 annual benefit attributable to employee contributions
18 that are not "picked up" under Section 414(h)(2) of the
19 Internal Revenue Code of 1986 (26 U.S.C. Sec. 414(h)(2))
20 or attributable to rollover contributions described in
21 Section 415(b)(2) of the Internal Revenue Code of 1986,
22 exceeds (2) the limitation on the dollar amount of an
23 annual benefit applicable for the calendar year under
24 Section 415(b)(1)(A) or subdivision (e) as applicable to
25 a governmental plan, as defined in Section 414(d) of the
26 Internal Revenue Code of 1986 (26 U.S.C. Sec. 414(d)),
27 the amount of the portion of the annual benefit shall be
28 paid to the member or the member's beneficiaries under
29 the replacement benefit program in the manner
30 described in subdivision (d). In no event shall the portion
31 of the annual benefit from the replacement benefits
32 program be payable from the assets of the ~~Teachers'~~
33 ~~Retirement Fund~~ *retirement fund*. In no event shall the
34 replacement benefits program provide to the member or
35 the member's beneficiaries, directly or indirectly, any
36 election to defer compensation.

37 (d) Any portion of the annual benefit of a member or
38 the member's beneficiaries for the year described in
39 subdivision (c) shall be payable, at the same time and in
40 the same form as the remainder of the annual benefit and



1 subject to the terms and conditions of this part except as
2 otherwise provided under this section, from the proceeds
3 of the employer contributions due under Section 22950,
4 and, notwithstanding Section 22956, prior to the deposit
5 of those employer contributions in the State Treasury to
6 the ~~Teachers' Retirement Fund~~ *retirement fund*. Upon
7 receipt of the warrants for the employer contributions as
8 described in Section 23001, the board shall retain and
9 place in the Teachers' Replacement Benefits Program
10 Fund only the amounts of employer contributions as are
11 necessary for the exclusive purpose of paying currently
12 the monthly installment next due of the portion of the
13 annual benefit payable from the replacement benefits
14 program to the member or the member's beneficiaries as
15 well as any administrative expenses associated with the
16 replacement benefits program. Amounts shall not be
17 accumulated in the Teachers' Replacement Benefits
18 Program Fund for the payment of future benefits, and a
19 member or the member's beneficiaries who are to
20 receive the portion of his or her annual benefit under the
21 replacement benefits program shall have no entitlement
22 to amounts in the Teachers' Replacement Benefits
23 Program Fund until distributed to him or her as a benefit.

24 (e) The portion of the annual benefit payable under
25 the replacement benefits program shall be subject to
26 withholding for any applicable income or employment
27 taxes.

28 (f) The board may by plan amendment amend the
29 terms of the replacement benefits program established
30 under this section as appropriate to comply with
31 applicable federal or state law.

32 (g) All references to sections of the Internal Revenue
33 Code of 1986 are to such sections as are amended from
34 time to time or their successor sections.

35 SEC. 72. Section 24412 of the Education Code is
36 amended to read:

37 24412. (a) The annual revenues deposited to the
38 ~~Teachers' Retirement Fund~~ *retirement fund* pursuant to
39 Section 6217.5 of the Public Resources Code are
40 continuously appropriated without regard to fiscal year



1 for the purposes of this section and shall be distributed
2 annually in quarterly supplemental payments
3 commencing on September 1 of each year to retired
4 members, disabled members, and beneficiaries. The
5 amount available for distribution in any year shall be the
6 income for that year from the sale or use of school lands
7 and lieu lands, as estimated by the State Lands
8 Commission prior to the beginning of the fiscal year,
9 adjusted by the difference between the estimated and
10 actual income for the preceding fiscal year. The board
11 shall deduct from the revenues an amount necessary for
12 administrative expenses to implement this section.

13 (b) The net revenues to be distributed shall be
14 allocated among those retired members, disabled
15 members, and beneficiaries whose allowances, after
16 sequentially applying the annual improvement factor as
17 defined in Section 22140 and the annual supplemental
18 payment as defined in Section 24411, if any, are below 75
19 percent of original purchasing power. The purchasing
20 power calculation for each individual allowance shall be
21 based on the change in the All Urban California
22 Consumer Price Index between June of the calendar year
23 of retirement and June of the fiscal year preceding the
24 fiscal year of the distribution. The allocation shall provide
25 a pro rata share of the amount needed to restore the
26 allowance payable, after sequential application of the
27 current year annual improvement factor and the
28 supplemental payment under Section 24411, to 75
29 percent of original purchasing power.

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

34 (d) In any year that the net revenues from school lands
35 and lieu lands is greater than that needed to adjust the
36 allowances of all retired members, disabled members,
37 and beneficiaries to 75 percent of original purchasing
38 power, the net revenues in excess of that needed for
39 distribution shall be used by the board to reduce the
40 unfunded actuarial obligation of the fund.



1 (e) The board shall inform each recipient of
2 supplemental payments under this section that the
3 increases are not cumulative and are not part of the base
4 allowance.

5 SEC. 73. Section 24702 of the Education Code is
6 amended to read:

7 24702. (a) All persons on the San Francisco system
8 retired rolls on June 30, 1972, shall remain on the local
9 rolls. The ~~State Teachers' Retirement System~~ *system* shall
10 continue the subvention in Section 24706 for those
11 persons, shall apply the percentage update and annual
12 improvement factor to payments being made under the
13 Defined Benefit Program directly to those persons, and
14 shall pay the retired death payment upon their death.

15 (b) The allowance that would have been payable had
16 the member retired solely under the Defined Benefit
17 Program, including the percentage update calculated
18 under Sections 14332, 14333, and 14334, as enacted by
19 Chapter 2 of the Statutes of 1959, as those sections read on
20 December 31, 1974, shall be taken into account in
21 computing the amount of increase for the ten dollar (\$10)
22 a month per year of service minimum unmodified
23 allowance.

24 SEC. 74. Section 24975 of the Education Code is
25 amended to read:

26 24975. (a) The board may develop one or more
27 deferred compensation plans under Section 457 of the
28 Internal Revenue Code that an employer may choose to
29 establish and offer to its employees who are members of
30 the plan under this part or Part 14 (commencing with
31 Section 26000).

32 (b) If an employer adopts a deferred compensation
33 plan described in subdivision (a):

34 (1) The employer shall enter into a written
35 contractual arrangement with the system under which
36 the system, or a third-party administrator acting on behalf
37 of the system, shall provide investment, recordkeeping,
38 and administrative services for the deferred
39 compensation plan.



1 (2) The initial period of the contractual arrangement
2 described in paragraph (1) shall be for a term of five
3 years.

4 (3) The deferred compensation plan shall continue to
5 constitute a separate plan established and maintained by
6 the adopting employer.

7 (4) The system shall be treated as acting on behalf of
8 the employer in administering the deferred
9 compensation plan.

10 (5) The terms and administration of the deferred
11 compensation plan shall be in accordance with the
12 applicable provisions of Section 457 of the Internal
13 Revenue Code.

14 (6) In administering the deferred compensation plan
15 on behalf of the employer, the board shall have the same
16 investment authority and discretion and be subject to the
17 same fiduciary standards pursuant to Chapter 4
18 (commencing with Section 22250), with respect to
19 amounts deferred under the deferred compensation plan
20 as applied by the system with respect to the ~~Teachers'~~
21 ~~Retirement Fund~~ *retirement fund*.

22 (c) If an employer establishes and maintains a
23 deferred compensation plan described in subdivision (a),
24 the deferred compensation plan shall be offered to all of
25 its employees who are members of the plan under this
26 part or Part 14 (commencing with Section 26000).

27 (d) An employee participating in a deferred
28 compensation plan established by an employer under this
29 section shall enter into a written agreement with the
30 employer for the deferral of compensation prior to the
31 performance of the services to which that compensation
32 relates.

33 (e) If an employer chooses to establish and maintain a
34 deferred compensation plan described in subdivision (a)
35 that is to be administered by the system, the employer
36 shall take all necessary or appropriate action to
37 implement this section in cooperation with the system.

38 SEC. 75. Section 25000 of the Education Code is
39 amended to read:



1 25000. (a) ~~The State Teachers' Retirement System~~
2 *system* shall develop a program to provide health care
3 benefits for members, beneficiaries, children, and
4 dependent parents.

5 (b) All costs incurred by the system pursuant to this
6 part shall be paid by allocations from the ~~Teachers'~~
7 ~~Retirement Fund~~ *retirement fund* as appropriated for
8 that purpose.

9 (c) The health care benefits program developed by
10 the system pursuant to this part shall not be implemented
11 by the system unless specifically authorized by a statute
12 enacted by the Legislature.

13 SEC. 76. Section 26000 of the Education Code is
14 amended to read:

15 26000. (a) The Legislature hereby finds and declares
16 that the State Teachers' Retirement System Cash Balance
17 Plan was created and established on July 1, 1996, to
18 provide a retirement plan for persons employed to
19 perform creditable service for less than 50 percent of the
20 full-time equivalent for the position. The persons eligible
21 for the Cash Balance Plan were excluded from mandatory
22 membership in the State Teachers' Retirement System
23 Defined Benefit Plan. Both plans ~~are~~ *were* administered
24 by the Teachers' Retirement Board. Because both plans
25 were intended to provide for the retirement of teachers
26 and other persons employed in connection with the
27 public schools of this state and schools supported by this
28 state, a merger of these two plans ~~is now hereby~~ *was* made
29 for the purpose of establishing a single retirement plan
30 that shall be known and may be cited as the State
31 Teachers' Retirement Plan consisting of the different
32 benefit programs set forth in this part and Part 13
33 (commencing with Section 22000). ~~The~~

34 (b) *The Legislature hereby further finds and declares*
35 *that on January 1, 2001, the State Teachers' Retirement*
36 *System was merged into the Public Employees'*
37 *Retirement System and, as a result, the plan shall be*
38 *administered by the ~~Teachers' Retirement~~ Board of*
39 *Administration of the Public Employees' Retirement*
40 *System as set forth in this part ~~and~~, Part 13 (commencing*



1 with Section 22000), and Chapter 2 (commencing with
2 Section 20090) of Part 3 of Division 5 of Title 2 of the
3 Government Code. As a result of ~~this merger~~ these
4 mergers, a Cash Balance Benefit Program will be
5 provided under the State Teachers' Retirement Plan of
6 the Public Employees' Retirement System and that
7 program is set forth in this part.

8 (c) The governing board of a school district,
9 community college district, or county office of education
10 may, by formal action, elect to provide the benefits of the
11 Cash Balance Benefit Program under this part for their
12 employees.

13 SEC. 77. Section 26000.5 of the Education Code is
14 amended to read:

15 26000.5. (a) An employer whose governing board has
16 elected to provide the benefits of this part for its
17 employees pursuant to Section 26000 shall enter into an
18 agreement with the ~~State Teachers'~~ Public Employees'
19 Retirement System. The agreement shall specify the
20 terms and conditions of the employer's formal action to
21 provide the Cash Balance Benefit Program and shall
22 remain in effect unless or until the employer exercises the
23 right to discontinue the plan pursuant to Chapter 17
24 (commencing with Section 28100).

25 SEC. 78. Section 26000.6 of the Education Code is
26 amended to read:

27 26000.6. (a) An election by any employer to provide
28 the benefits of the Cash Balance Plan for their employees
29 prior to the merger described in *subdivision (a) of*
30 Section 26000 shall be deemed to constitute an election to
31 provide the Cash Balance Benefit Program under the
32 State Teachers' Retirement Plan.

33 (b) Participation in the Cash Balance Plan by any
34 participant prior to the merger described in *subdivision*
35 *(a) of* Section 26000 shall be deemed to constitute
36 participation in the Cash Balance Benefit Program under
37 the State Teachers' Retirement Plan.

38 (c) Any beneficiary under the Cash Balance Plan prior
39 to the merger described in *subdivision (a) of* Section
40 26000 shall be deemed to be a beneficiary under the Cash



1 Balance Benefit Program under the State Teachers'
2 Retirement Plan.

3 SEC. 79. Section 26001 of the Education Code is
4 amended to read:

5 26001. The design and administration of the plan,
6 including the Cash Balance Benefit Program, shall
7 comply with the applicable provisions of the Internal
8 Revenue Code and the Revenue and Taxation Code. The
9 ~~Teachers' Retirement Board of Administration of the~~
10 ~~Public Employees' Retirement System~~ may amend the
11 plan to comply with the applicable federal laws and
12 regulations to the extent permitted by law, to establish or
13 revise the minimum interest rate, to declare additional
14 earnings credit, to declare additional annuity credit, and
15 to adopt and amend actuarial assumptions for all purposes
16 under the plan.

17 SEC. 80. Section 26002 of the Education Code is
18 amended to read:

19 26002. The Cash Balance Benefit Program shall be
20 administered by the ~~Teachers' Retirement Board of~~
21 ~~Administration of the Public Employees' Retirement~~
22 ~~System~~ with all of the powers, responsibilities and duties
23 for administration of the plan set forth in Chapter ~~3~~
24 ~~(commencing with Section 22200) through Chapter 7~~
25 ~~(commencing with Section 22375) of Part 13. In~~
26 ~~administering the plan, the board and its officers and~~
27 ~~employees of the system shall exercise their fiduciary~~
28 ~~duties set forth in Chapter 4 (commencing with Section~~
29 ~~22250) of Part 13-2 (commencing with Section 20090) of~~
30 ~~Part 3 of Division 5 of Title 2 of the Government Code.~~

31 SEC. 81. Section 26105 of the Education Code is
32 amended to read:

33 26105. "Annuitant Reserve" means the reserve
34 account established by the board within the ~~State~~
35 ~~Teachers' Retirement Fund~~ *retirement fund* for the
36 payment of monthly annuities with respect to the Cash
37 Balance Benefit Program.

38 SEC. 82. Section 26109 of the Education Code is
39 amended to read:

1 26109. “Board” means the ~~Teachers’ Retirement~~
2 Board of Administration of the Public Employees’
3 Retirement System.

4 SEC. 83. Section 26138.5 is added to the Education
5 Code, to read:

6 26138.5. “Retirement fund” means the Public
7 Employees’ Retirement Fund as provided in Article 5
8 (commencing with Section 20170) of Part 3 of Division 5
9 of Title 2 of the Government Code.

10 SEC. 84. Section 26142 of the Education Code is
11 amended to read:

12 26142. “System” means the ~~State Teachers’ Public~~
13 Employees’ Retirement System.

14 SEC. 85. Section 26200 of the Education Code is
15 amended to read:

16 26200. Employee contributions, employer
17 contributions, investment earnings, and any other
18 amounts provided under this part shall be deposited into
19 the ~~Teachers’ Retirement Fund~~ retirement fund.
20 Disbursement of money from the fund shall be made
21 upon claims made pursuant to Section 26209 and duly
22 audited in the manner prescribed for the disbursement
23 of other public funds. Notwithstanding Section 13340 of
24 the Government Code, the ~~Teachers’ Retirement Fund~~
25 retirement fund is continuously appropriated for the
26 payment of benefits and investment transactions
27 pursuant to this part. Disbursements may be made to
28 return funds deposited in the fund in error.

29 SEC. 86. Section 26201 of the Education Code is
30 amended to read:

31 26201. Investment earnings shall be collected by the
32 Treasurer, and together with any other moneys received
33 in connection with the Cash Balance Benefit Program,
34 shall be immediately deposited to the credit of the
35 ~~Teachers’ Retirement Fund~~ retirement fund and
36 reported to the system.

37 SEC. 87. Section 26202 of the Education Code is
38 amended to read:

39 26202. (a) The board shall establish a Gain and Loss
40 Reserve within the ~~Teachers’ Retirement Fund~~



1 *retirement fund* for the Cash Balance Benefit Program.
2 The board has sole authority to administer the Gain and
3 Loss Reserve to be drawn upon to the extent necessary to
4 credit interest to employee accounts and employer
5 accounts at the minimum interest rate during years in
6 which the investment earnings of the plan with respect
7 to the Cash Balance Benefit Program are not sufficient for
8 that purpose, and, where necessary, to provide additions
9 to the Annuitant Reserve for monthly annuity payments.

10 (b) The board shall establish and periodically review
11 goals regarding the sufficiency of the Gain and Loss
12 Reserve based on the recommendation of the actuary.

13 (c) In the event that the total amount of investment
14 earnings of the plan with respect to the Cash Balance
15 Benefit Program for any plan year exceeds the sum of the
16 total amount required to credit all employee and
17 employer accounts at the minimum interest rate for the
18 plan year plus the administrative costs of the plan with
19 respect to the Cash Balance Benefit Program for the plan
20 year, the board shall determine the amount, if any, that
21 is to be credited to the Gain and Loss Reserve for the plan
22 year. That determination shall be made upon
23 recommendation of the actuary following the adoption
24 by the board of the actuarial valuation undertaken
25 following the plan year pursuant to Section 26202, but no
26 later than June 30 following the end of the plan year. In
27 determining whether an amount is to be credited to the
28 Gain and Loss Reserve, the board shall consider the
29 sufficiency of the reserve in light of the goal established
30 for the sufficiency and the recommendations of the
31 actuary.

32 SEC. 88. Section 26204 of the Education Code is
33 amended to read:

34 26204. The board shall establish an Annuitant Reserve
35 within the ~~Teachers' Retirement Fund~~ *retirement fund*
36 for the Cash Balance Benefit Program. The board has sole
37 authority to administer the Annuitant Reserve for the
38 payment of annuities. The board may transfer the credits
39 from a participant's employee account and employer
40 account to the Annuitant Reserve upon election of an



1 annuity by the participant or beneficiary of the
2 participant.

3 SEC. 89. Section 26206 of the Education Code is
4 amended to read:

5 26206. All administrative costs of the board and
6 system for the plan with respect to the Cash Balance
7 Benefit Program shall be paid from the ~~Teachers'~~
8 ~~Retirement Fund~~ *retirement fund*.

9 SEC. 90. Section 26209 of the Education Code is
10 amended to read:

11 26209. The board may authorize the transfer and
12 disbursement of funds from the ~~Teachers' Retirement~~
13 ~~Fund~~ *retirement fund* for the purpose of carrying into
14 effect the Cash Balance Benefit Program upon the
15 signature of its chairperson, vice chairperson, the chief
16 executive officer, or any employee of the system
17 designated by the chief executive officer.

18 SEC. 91. Section 26210 of the Education Code is
19 amended to read:

20 26210. The board has exclusive control of the
21 investment of the ~~Retirement Fund~~ *retirement fund* with
22 respect to assets attributed to the Cash Balance Benefit
23 Program. ~~In investing the fund, the board and its officers~~
24 ~~and employees shall exercise their fiduciary duties set~~
25 ~~forth in Chapter 4 (commencing with Section 22250) and~~
26 ~~Chapter 6 (commencing with Section 22350) of Part 13.~~

27 SEC. 92. Section 20057 of the Government Code is
28 amended to read:

29 20057. "Public agency" also includes the following:

30 (a) The Commandant, Veterans' Home of California,
31 with respect to employees of the Veterans' Home
32 Exchange and other post fund activities whose
33 compensation is paid from the post fund of the Veterans'
34 Home of California.

35 (b) Any auxiliary organization operating pursuant to
36 Chapter 7 (commencing with Section 89900) of Part 55 of
37 the Education Code and in conformity with regulations
38 adopted by the Trustees of the California State University
39 and any auxiliary organization operating pursuant to
40 Article 6 (commencing with Section 72670) of Chapter 6



1 of Part 45 of the Education Code and in conformity with
2 regulations adopted by the Board of Governors of the
3 California Community Colleges.

4 (c) Any student body or nonprofit organization
5 composed exclusively of students of the California State
6 University or community college or of members of the
7 faculty of the California State University or community
8 college, or both, and established for the purpose of
9 providing essential activities related to, but not normally
10 included as a part of, the regular instructional program of
11 the California State University or community college.

12 (d) A state organization of governing boards of school
13 districts, the primary purpose of which is the advancing
14 of public education through research and investigation.

15 (e) Any nonprofit corporation whose membership is
16 confined to public agencies as defined in Section 20056.

17 (f) A section of the California Interscholastic
18 Federation.

19 (g) Any credit union incorporated under Division 5
20 (commencing with Section 14000) of the Financial Code,
21 or incorporated pursuant to federal law, with 95 percent
22 of its membership limited to employees who are
23 members of or retired members of this system or the State
24 Teachers' Retirement System, and their immediate
25 families, and employees of any credit union. For the
26 purposes of this subdivision, "immediate family" means
27 those persons related by blood or marriage who reside in
28 the household of a member of the credit union who is a
29 member of or retired member of this system ~~or~~, *including*
30 *a member of or retired member of* the State Teachers'
31 Retirement System Plan. The credit union shall pay any
32 costs that are in addition to the normal charges required
33 to enter into a contract with the board. All the payments
34 made by the credit union that are in addition to the
35 normal charges required shall be added to the total
36 amount appropriated by the Budget Act for the
37 administrative expense of this system. For purposes of this
38 subdivision, a credit union shall not be deemed to be a
39 public agency unless it has entered into a contract with
40 the board pursuant to Chapter 5 (commencing with



1 Section 20460) prior to January 1, 1988. After January 1,
2 1988, the board shall not enter into a contract with any
3 credit union as a public agency.

4 (h) Any county superintendent of schools that was a
5 contracting agency on July 1, 1983, and any school district
6 or community college district that was a contracting
7 agency with respect to local policemen, as defined in
8 Section 20430, on July 1, 1983.

9 (i) Any school district or community college district
10 that has established a police department, pursuant to
11 Section 39670 or 72330 of the Education Code, and has
12 entered into a contract with the board on or after January
13 1, 1990, for school safety members, as defined in Section
14 20444.

15 (j) A nonprofit corporation formed for the primary
16 purpose of assisting the development and expansion of
17 the educational, research, and scientific activities of a
18 district agricultural association formed pursuant to Part
19 3 (commencing with Section 3801) of Division 3 of the
20 Food and Agricultural Code, and the nonprofit
21 corporation described in the California State Exposition
22 and Fair Law (former Article 3 (commencing with
23 Section 3551) of Chapter 3 of Part 2 of Division 3 of the
24 Food and Agricultural Code, as added by Chapter 15 of
25 the Statutes of 1967).

26 (k) A public or private nonprofit corporation that
27 operates a regional center for the developmentally
28 disabled in accordance with Chapter 5 (commencing
29 with Section 4620) of Division 4.5 of the Welfare and
30 Institutions Code. "Public agency" for purposes of this
31 part shall only constitute the employees of the regional
32 center. Notwithstanding any other provision of this part,
33 the agency may elect by appropriate provision or
34 amendment of its contract not to provide credit for
35 service prior to the effective date of its contract.

36 (l) Independent data-processing centers formed
37 pursuant to former Article 2 (commencing with Section
38 10550) of Chapter 6 of Part 7 of the Education Code, as it
39 read on December 31, 1990. An agency included pursuant



1 to this subdivision shall only provide benefits that are
2 identical to those provided to a school member.

3 (m) Any local agency formation commission.

4 (n) A nonprofit corporation organized for the purpose
5 of and engaged in conducting a citrus fruit fair as defined
6 in Section 4603 of the Food and Agricultural Code.

7 (o) (1) A public or private nonprofit corporation that
8 operates an independent living center providing services
9 to severely handicapped people and established pursuant
10 to federal P.L. 93-112, that receives the approval of the
11 board, and that provides at least three of the following
12 services:

13 (A) Assisting severely handicapped people to obtain
14 personal attendants who provide in-home supportive
15 services.

16 (B) Locating and distributing information about
17 housing in the community usable by severely
18 handicapped people.

19 (C) Providing information about financial resources
20 available through federal, state and local government,
21 and private and public agencies to pay all or part of the
22 cost of the in-home supportive services and other services
23 needed by severely handicapped people.

24 (D) Counseling by people with similar disabilities to
25 aid the adjustment of severely handicapped people to
26 handicaps.

27 (E) Operation of vans or buses equipped with
28 wheelchair lifts to provide accessible transportation to
29 otherwise unreachable locations in the community where
30 services are available to severely handicapped people.

31 (2) "Public agency" for purposes of this part shall
32 constitute only the employees of the independent living
33 center.

34 (3) Notwithstanding any other provisions of this part,
35 the public or private nonprofit corporation may elect by
36 appropriate provision or amendment of its contract not
37 to provide credit for service prior to the effective date of
38 its contract.

39 (p) A hospital that is managed by a city legislative
40 body in accordance with Article 8 (commencing with



1 Section 37650) of Chapter 5 of Part 2 of Division 3 of Title
2 4.

3 (q) (1) Except as provided in paragraph (2), “public
4 agency” also includes any entity formed pursuant to the
5 Federal Job Training Partnership Act of 1982 (29 U.S.C.
6 Sec. 1501 et seq.) or Division 8 (commencing with Section
7 15000) of the Unemployment Insurance Code.

8 (2) “Public agency,” for purposes of this part, does not
9 include a private industry council as set forth in the
10 Federal Job Training Partnership Act of 1982 (29 U.S.C.
11 Sec. 1501 et seq.) or Division 8 (commencing with Section
12 15000) of the Unemployment Insurance Code.

13 (r) The Tahoe transportation district that is
14 established by Article IX of Section 66801.

15 (s) The California Firefighter Joint Apprenticeship
16 Program formed pursuant to Chapter 4 (commencing
17 with Section 3070) of Division 3 of the Labor Code.

18 (t) A public health department or district that is
19 managed by the governing body of a county of the 15th
20 class, as defined by Sections 28020 and 28036, as amended
21 by Chapter 1204 of the Statutes of 1971.

22 (u) A nonprofit corporation or association conducting
23 an agricultural fair pursuant to Section 25905 may enter
24 into a contract with the board for the participation of its
25 employees as members of this system, upon obtaining a
26 written advisory opinion from the United States
27 Department of Labor that the participation of the officers
28 and employees of the nonprofit corporation or association
29 in this system would not affect this system’s exemption as
30 a governmental plan under Section 1001 et seq. of Title
31 29 of the United States Code. The nonprofit corporation
32 or association shall be deemed a “public agency” only for
33 this purpose.

34 (v) An auxiliary organization established pursuant to
35 Article 2.5 (commencing with Section 69522) of Chapter
36 2 of Part 42 of the Education Code upon obtaining a
37 written advisory opinion from the United States
38 Department of Labor that the participation of the officers
39 and employees of the auxiliary organization in this system
40 would not affect this system’s exemption as a



1 governmental plan under Section 1001 et seq. of Title 29
2 of the United States Code. The auxiliary organization is a
3 “public agency” only for this purpose.

4 (w) The Western Association of Schools and Colleges
5 upon obtaining a written advisory opinion from the
6 United States Department of Labor that the participation
7 of the officers and employees of the association in this
8 system would not affect this system’s exemption as a
9 governmental plan under Section 1001 et seq. of Title 29
10 of the United States Code. The association shall be
11 deemed a “public agency” only for this purpose.

12 SEC. 93. Section 20090.5 is added to the Government
13 Code, to read:

14 20090.5. (a) As used in paragraph (1) of subdivision
15 (g) of Section 20090, “members of this system” includes
16 those persons described in Sections 20281.5 and 20281.6.

17 (b) As used in paragraph (3) of subdivision (g) of
18 Section 20090, “active local members of this system who
19 are employees of a school district or a county
20 superintendent of schools” includes those persons
21 described in Sections 20281.5 and 20281.6.

22 (c) As used in paragraph (5) of subdivision (g) of
23 Section 20090, “retired members of this system” includes
24 retired members and participants of the State Teachers’
25 Retirement Plan.

26 SEC. 94. Section 20170 of the Government Code is
27 amended to read:

28 20170. (a) The Public Employees’ Retirement Fund
29 in the State Treasury is continued in existence.

30 (b) The Public Employees’ Retirement Fund is a trust
31 fund created, and administered in accordance with this
32 part, solely for the benefit of the members and retired
33 members of this system, *including the members and*
34 *retired members of the Defined Benefit Program of the*
35 *State Teachers’ Retirement Plan*, and their survivors and
36 beneficiaries.

37 (c) *All funds previously deposited and held in the*
38 *Teachers’ Retirement Fund shall be deposited, held, and*
39 *administered in accordance with this part.*



1 SEC. 95. Section 20175 of the Government Code is
2 amended to read:

3 20175. Notwithstanding any other provision of law,
4 funds in the reserve against deficiencies shall not be used
5 to pay any employers' contribution required by this
6 ~~chapter~~ *part* to be paid by the state, any school employer,
7 or any contracting agency *or by the State Teachers'*
8 *Retirement Law to be paid by any employer.*

9 SEC. 96. Section 20176 of the Government Code is
10 amended to read:

11 20176. Notwithstanding any other provision of law, no
12 funds in the retirement fund shall be expended for any
13 purpose other than the cost of administration of this
14 system, investments for the benefit of this system, the
15 reduction of employer contributions, and the provision of
16 benefits to the members and retired members of this
17 system, *including members of the State Teachers'*
18 *Retirement Plan*, and their survivors and beneficiaries.

19 SEC. 97. Section 20177 of the Government Code is
20 amended to read:

21 20177. The board shall deposit monthly in the State
22 Treasury to the credit of the retirement fund all amounts
23 received by it under this part *and under Part 13*
24 *(commencing with Section 22000) and Part 14*
25 *(commencing with Section 26000) of Division 1 of Title*
26 *1 of the Education Code.*

27 SEC. 98. Section 20178 of the Government Code is
28 amended to read:

29 20178. (a) The board shall credit all contributions of
30 members in the retirement fund with interest at an
31 interest crediting rate of 6 percent compounded at each
32 June 30. The retired member reserves in the retirement
33 fund shall be credited with the lesser of the current
34 actuarial interest rate or the current annual interest rate
35 compounded at each June 30. The interest amount that
36 would have been credited to the member's account on
37 and after June 30, 1991, had the account been credited
38 with the lesser of the current actuarial interest rate or the
39 current annual interest rate, rather than at the 6 percent



1 interest crediting rate, shall be credited to retirement
2 member reserves.

3 (b) Notwithstanding subdivision (a), the difference
4 between the interest amount that was credited to the
5 account of any member of this system who was paid his
6 or her accumulated contributions on or after June 30,
7 1991, and the lesser of the current actuarial interest rate
8 or the current annual interest rate, shall be transferred to
9 the account established by the board under Section 21337
10 to fund the purchasing power protection allowance.

11 (c) If the current net earnings rate exceeds the
12 interest rate used to credit the retired member accounts,
13 in addition to the amount transferred to the fund
14 established under Section 21337, the remaining amount
15 shall be credited to employer accounts.

16 (d) The current annual interest rate may be lower
17 than the current actuarial interest rate.

18 (e) *This section shall not apply to contributions of*
19 *members of the State Teachers' Retirement Plan.*

20 SEC. 99. Section 20195 of the Government Code is
21 amended to read:

22 20195. (a) The board may select, purchase, or
23 acquire in the name of the system, the fee or any lesser
24 interest in real property, improved or unimproved, and
25 may construct or remodel, and equip, an office building,
26 including appropriate satellite structures, in the County
27 of Sacramento, California, for its use and for the use of ~~the~~
28 ~~State Teachers' Retirement System~~, other state
29 retirement systems *and plans*, other departments,
30 boards, and agencies of the state, or appropriate private
31 commercial entities as space may be available from time
32 to time. The office building and satellite structures shall
33 conform to the Capital Master Plan if located within an
34 area subject to the plan.

35 (b) ~~In the event that~~ *If* the board acquires bare land,
36 improvements shall be constructed according to plans
37 approved by the State Public Works Board and
38 Department of General Services.

39 (c) ~~In the event that~~ *If* the board acquires land with
40 improvements thereon, the improvements shall be



1 remodeled or completed in accordance with plans
2 approved by the State Public Works Board and
3 Department of General Services.

4 (d) ~~In the event that~~ *If* condemnation of the property
5 selected is necessary, the board may elect to deposit the
6 funds deemed necessary with the Treasurer. The funds
7 are appropriated for purchase of the selected property
8 subject to the Property Acquisition Law.

9 (e) Work on all projects shall be done under contract
10 awarded to the lowest responsible bidder pursuant to
11 bidding procedures set forth in Part 2 (commencing with
12 Section 10100) of the Public Contract Code.

13 SEC. 100. Section 20281.5 is added to the Government
14 Code, to read:

15 20281.5. (a) All members of the Defined Benefit
16 Program in the State Teachers' Retirement Plan
17 immediately prior to the time this section becomes
18 operative continue to be members of that program within
19 this system, and pursuant to Part 13 (commencing with
20 Section 22000) of Division 1 of Title 1 of the Education
21 Code.

22 (b) Any person who, on or after the operative date of
23 this section, is a person described in Section 22146 of the
24 Education Code shall be a member of the Defined
25 Benefit Program provided in the State Teachers'
26 Retirement Plan within this system.

27 (c) The persons described in this section shall not be
28 subject to the provisions of this part unless otherwise
29 expressly provided. The rights and obligations of those
30 persons within this system shall be governed by Part 13
31 (commencing with Section 22000) of Division 1 of Title
32 1 of the Education Code.

33 SEC. 101. Section 20281.6 is added to the Government
34 Code, to read:

35 20281.6. (a) All participants of the Cash Balance
36 Benefit Program in the State Teachers' Retirement Plan
37 immediately prior to the time this section becomes
38 operative continue to be participants of that program
39 within this system, and pursuant to Part 14 (commencing



1 with Section 26000) of Division 1 of Title 1 of the
2 Education Code.

3 (b) Any person who, on or after the operative date of
4 this section, is a person described in Section 26132 of the
5 Education Code, shall be a participant of the Cash
6 Balance Benefit Program in this State Teachers'
7 Retirement Plan within this system.

8 (c) The persons described in this section shall not be
9 subject to the provisions of this part unless otherwise
10 expressly provided. The rights and obligations of those
11 persons within this system shall be governed by Part 14
12 (commencing with Section 26000) of Division 1 of Title
13 1 of the Education Code.

14 SEC. 102. Section 20300 of the Government Code is
15 amended to read:

16 20300. The following persons are excluded from
17 membership in this system:

18 (a) Inmates of state or public agency institutions who
19 are allowed compensation for the service they are able to
20 perform.

21 (b) Independent contractors who are not employees.

22 (c) Persons employed as student assistants in the state
23 colleges and persons employed as student aides in the
24 special schools of the State Department of Education and
25 in the public schools of the state.

26 (d) Persons employed as student teachers and
27 excluded under Section 22609 of the Education Code.

28 (e) Participants, other than staff officers and
29 employees, in the California Conservation Corps.

30 (f) Persons employed as participants in a program of,
31 and whose wages are paid in whole or in part by federal
32 funds in accordance with Section 1501 et seq. of Title 29
33 of the United States Code. This subdivision does not apply
34 with respect to persons employed in job classes that
35 provide eligibility for patrol or safety membership, or to
36 the career staff employees of an employer.

37 (g) ~~All~~ *Except as otherwise provided in this part, all*
38 persons who are members in any teachers' retirement
39 system, as to the service in which they are members of any
40 teachers' retirement system.



1 (h) Except as otherwise provided in this part, persons
2 rendering professional legal services to a city, other than
3 the person holding the office of city attorney, the office
4 of assistant city attorney, or an established position of
5 deputy city attorney.

6 (i) A person serving the university as a teacher in
7 university extension, whose compensation for that
8 service is established on the basis of class enrollment
9 either actual or estimated, with respect to that service.

10 (j) A person serving a California State University as a
11 teacher in extension service, whose compensation for that
12 service is established on the basis of class enrollment
13 either actual or estimated, with respect to that service.

14 (k) A teacher or academic employee of the university
15 or any California State University who is otherwise fully
16 employed and who serves as a teacher or in an academic
17 capacity in any summer session or intersession, for which
18 he or she receives compensation specifically attributable
19 to that service in summer session or intersession, with
20 respect to that service.

21 (l) A person who is employed under the Senate
22 Fellows, the Assembly Fellows, or the Executive Fellows
23 programs.

24 SEC. 103. Section 20309 of the Government Code is
25 amended to read:

26 20309. (a) A *miscellaneous* member—of the Public
27 ~~Employees' Retirement System~~ who is employed by the
28 Board of Governors of the California Community
29 Colleges and who subsequently is employed by a
30 community college district to perform service subject to
31 coverage by the State Teachers' Retirement—System *Plan*,
32 may elect to retain coverage—by the Public Employees'
33 ~~Retirement System~~ *as a miscellaneous member* for that
34 service. An election to retain coverage—under the Public
35 ~~Employees' Retirement System~~ *as a miscellaneous*
36 *member* shall be submitted in writing by the member to
37 the—Public Employees' Retirement System *system* on a
38 form prescribed by the system, and a copy of the election
39 shall be submitted to the State Teachers' Retirement



1 ~~System~~, within 60 days ~~of after~~ the date the member's
2 change in employment is effective.

3 ~~(b) (1) A member who had been a member of the~~
4 ~~State Teachers' Retirement System and who changed~~
5 ~~employment and became a member of the Public~~
6 ~~Employees' Retirement System on or after July 1, 1991,~~
7 ~~but before January 1, 1998, may elect to return to~~
8 ~~coverage under the State Teachers' Retirement System~~
9 ~~if an election to do so is made in writing to each system~~
10 ~~on or before March 1, 1998. Members who elect to transfer~~
11 ~~to the State Teachers' Retirement System shall pay, prior~~
12 ~~to retirement, all contributions with respect to service in~~
13 ~~the Public Employees' Retirement System at the~~
14 ~~contribution rate for additional service credit in effect at~~
15 ~~the time of the transfer to the State Teachers' Retirement~~
16 ~~System.~~

17 ~~(2) The Public Employees' Retirement System shall~~
18 ~~transfer the actuarial present value of the assets of a~~
19 ~~person who makes an election pursuant to this subdivision~~
20 ~~to the State Teachers' Retirement System.~~

21 ~~(3) The Public Employees' Retirement System is not~~
22 ~~required to identify and notify members who may be~~
23 ~~eligible for the election allowed by this section.~~

24 ~~(e) Subdivision (a) shall apply to changes in~~
25 ~~employment effective on or after January 1, 1998.~~

26 SEC. 104. Section 20370 of the Government Code is
27 amended to read:

28 20370. (a) "Member" means an employee who has
29 qualified for membership in this system and on whose
30 behalf an employer has become obligated to pay
31 contributions.

32 (b) "State member" includes:

- 33 (1) State miscellaneous members.
- 34 (2) University members.
- 35 (3) Patrol members.
- 36 (4) State safety members.
- 37 (5) State industrial members.
- 38 (6) State peace officer/firefighter members.

39 (c) "Local member" includes:

- 40 (1) Local miscellaneous members.



1 (2) Local safety members.

2 (d) "School member" includes all employees within
3 the jurisdiction of a school employer, other than local
4 policemen and school safety members.

5 (e) *Except as otherwise expressly provided under this*
6 *part, "member" does not mean those persons described*
7 *in Section 20281.5 or 20281.6.*

8 SEC. 105. Section 20501 of the Government Code is
9 amended to read:

10 20501. Contracts with school employers may include
11 school district employees in this system only with respect
12 to service rendered in a status in which they are not
13 eligible for membership in the State Teachers'
14 Retirement ~~System~~ *Plan.*

15 SEC. 106. Section 20610 of the Government Code is
16 amended to read:

17 20610. Every county superintendent of schools shall
18 enter into a contract with the board for the inclusion in
19 this system of (a) all of the employees of the office of
20 county superintendent whose compensation is paid from
21 the county school service fund other than employees
22 electing pursuant to Section 1313 of the Education Code
23 to continue in membership in a county system; and (b)
24 all of the employees of school districts and community
25 college districts existing on July 1, 1949, or thereafter
26 formed, within his or her jurisdiction, other than school
27 districts that are contracting agencies or that maintain a
28 district, joint district, or other local retirement system, in
29 respect to service rendered in a status in which they are
30 not eligible for membership in the State Teachers'
31 Retirement ~~System~~ *Plan.* The effective date of each
32 contract shall be not later than July 1, 1949. For the
33 purposes of this part those school district employees shall
34 be considered to be employees of the county
35 superintendent of schools having jurisdiction over the
36 school district by which they are employed and service to
37 the district shall be considered as service to the county
38 superintendent of schools.

39 SEC. 107. Section 20611 of the Government Code is
40 amended to read:



1 20611. A regional occupational center established
2 pursuant to Chapter 9 (commencing with Section 52300)
3 of Division 4 of the Education Code by two or more school
4 districts by a joint powers agreement shall be deemed a
5 school district for purposes of this part. The board and the
6 county superintendent of schools, upon the request of the
7 governing body of any center in the county, shall amend
8 the contract entered into under this chapter to include
9 the employees of the center who are not eligible to
10 membership in the State Teachers' Retirement ~~System~~
11 *Plan*. Credit shall not be granted for any service in that
12 employment prior to the effective date of the
13 amendment. However, on the request of the governing
14 body of the center, the amendment may provide that the
15 membership of any person becoming a member in that
16 employment on the effective date of the amendment
17 shall be retroactive to the date of that person's entry into
18 that employment. If the amendment provides for the
19 retroactive membership, both the member and the
20 center shall contribute to the retirement fund for the
21 period the amounts they would have contributed had the
22 amendment been in effect on the date of the entry into
23 employment.

24 SEC. 108. Section 20752 of the Government Code is
25 amended to read:

26 20752. A member of the Judges' Retirement System,
27 the Legislators' Retirement System, the State Teachers'
28 Retirement System, the University of California
29 Retirement ~~System~~ *Plan*, or a county retirement system,
30 who has withdrawn accumulated contributions from this
31 system shall have the right to redeposit those
32 contributions, subject to the same conditions as imposed
33 for redeposits of accumulated contributions by Section
34 20750, including the right as he or she would have had
35 under Section 20638 had he or she not withdrawn his or
36 her contributions.

37 Provisions of this section extending a right to redeposit
38 accumulated contributions withdrawn from this system
39 shall also apply to members of any retirement system
40 established under Chapter 2 (commencing with Section



1 45300) of Division 5 of Title 4 with respect to which an
2 ordinance complying with Section 45310.5 has been filed
3 with and accepted by the board or any retirement system
4 established by or pursuant to the charter of a city or city
5 and county or by any other public agency of this state
6 which system, in the opinion of the board, provides a
7 similar modification of rights and benefits because of
8 membership in this system and with respect to which the
9 governing body of the city, city and county or public
10 agency and the board have entered into agreement
11 pursuant to Section 20351.

12 A member who elects to redeposit under this section
13 shall have the same rights with respect thereto as a
14 member who has elected pursuant to Section 20731 to
15 leave his or her accumulated contributions on deposit in
16 the fund.

17 SEC. 109. Section 20900 of the Government Code is
18 amended to read:

19 20900. Notwithstanding any other provision of this
20 part, a member employed on a part-time basis on and
21 after January 1, 1976, shall, for the period of part-time
22 employment, receive the credit the member would
23 receive if he or she was employed on a full-time basis and
24 have his or her retirement allowance, as well as any other
25 benefits the member is entitled to under this part, based
26 upon the salary that he or she would have received if
27 employed on a full-time basis, if the member and his or
28 her employer both elect to contribute to the retirement
29 fund the amount that would have been contributed if the
30 member was employed on a full-time basis. Prior to the
31 reduction of an employee's workload under this section,
32 the district personnel responsible for the administration
33 of this program, in conjunction with the administrative
34 staff of the State Teachers' Retirement ~~System~~ *Plan* and
35 this system, shall verify the eligibility of the applicant for
36 the reduced workload program. This section shall be
37 applicable only to members who are academic employees
38 of the California State University or who are certificated
39 employees of school districts and who have met the
40 criteria provided in Sections 44922 and 87483 of the



1 Education Code or Section 89516 of the Education Code
2 and are not older than 70 years and is limited to a period
3 of five years of part-time status. The employer shall
4 maintain the necessary records to separately identify
5 each employee receiving credit pursuant to this section.

6 SEC. 110. Section 21220 of the Government Code is
7 amended to read:

8 21220. (a) A person who has been retired under this
9 system, for service or for disability, shall not be employed
10 in any capacity thereafter by the state, the university, a
11 school employer, or by a contracting agency, unless the
12 employment qualifies for service credit in the University
13 of California Retirement System or the State Teachers'
14 Retirement ~~System~~ *Plan*, unless he or she has first been
15 reinstated from retirement pursuant to this chapter, or
16 unless the employment, without reinstatement, is
17 authorized by this article. A retired person whose
18 employment without reinstatement is authorized by this
19 article shall acquire no service credit or retirement rights
20 under this part with respect to the employment.

21 (b) Any retired member employed in violation of this
22 article shall:

23 (1) Reimburse this system for any retirement
24 allowance received during the period or periods of
25 employment that are in violation of law.

26 (2) Pay to this system an amount of money equal to the
27 employee contributions that would otherwise have been
28 paid during the period or periods of unlawful
29 employment, plus interest thereon.

30 (3) Contribute toward reimbursement of this system
31 for administrative expenses incurred in responding to this
32 situation, to the extent the member is determined by the
33 executive officer to be at fault.

34 (c) Any public employer that employs a retired
35 member in violation of this article shall:

36 (1) Pay to this system an amount of money equal to
37 employer contributions that would otherwise have been
38 paid for the period or periods of time that the member is
39 employed in violation of this article, plus interest thereon.



1 (2) Contribute toward reimbursement of this system
2 for administrative expenses incurred in responding to this
3 situation, to the extent the employer is determined by the
4 executive officer of this system to be at fault.

5 SEC. 111. Section 21661 of the Government Code is
6 amended to read:

7 21661. (a) The board shall contract with carriers
8 offering long-term care insurance plans and enter into
9 health care service plan contracts covering long-term
10 care.

11 The long-term care insurance plans and health care
12 service plan contracts covering long-term care shall be
13 made available periodically during open enrollment
14 periods determined by the board.

15 (b) The board shall award contracts to carriers who
16 are qualified to provide long-term care benefits, and may
17 develop and administer self-funded long-term care
18 insurance plans. The board may offer one or more
19 long-term care insurance plans or health care service plan
20 contracts covering long-term care and may offer service
21 or indemnity-type plans.

22 (c) The long-term care insurance plans and health
23 care service plan contracts covering long-term care shall
24 include home, community, and institutional care and
25 shall, to the extent determined by the board, provide
26 substantially equivalent coverage to that required under
27 Chapter 2.6 (commencing with Section 10230) of Part 2
28 of Division 2 of the Insurance Code, if the carrier has been
29 approved by the Department of Managed Care pursuant
30 to Chapter 2.2 (commencing with Section 1340) of
31 Division 2 of the Health and Safety Code.

32 (d) The classes of persons who shall be eligible to
33 enroll are:

34 (1) Active and retired members and annuitants of the
35 Public Employees' System, and their spouses, their
36 parents, and their spouses' parents.

37 (2) Active and retired members and annuitants of any
38 county or district subject to the County Employees
39 Retirement Law of 1937, and their spouses, their parents,
40 and their spouses' parents.



1 (3) Active and retired members and annuitants of the
2 State Teachers' Retirement ~~System~~ *Plan*, and their
3 spouses, their parents, and their spouses' parents.

4 (4) Active employees and retirees and annuitants of
5 any public agency that is a contracting agency under this
6 part or Part 5 (commencing with Section 22751), and
7 their spouses, their parents, and their spouses' parents.

8 (5) Active and retired members and annuitants of the
9 Judges' Retirement System, and their spouses, their
10 parents, and their spouses' parents.

11 (6) Active and retired members and annuitants of the
12 Judges' Retirement System II, and their spouses, their
13 parents, and their spouses' parents.

14 (7) Active and retired members and annuitants of the
15 Legislators' Retirement System, and their spouses, their
16 parents, and their spouses' parents.

17 (8) Members of the California Assembly and Senate
18 and their spouse, their parents and their spouse's parents.

19 (9) Active and retired members and annuitants, and
20 other classes of employees of other public employee
21 retirement systems or public employers as the board
22 determines may be eligible under the standards the
23 board may prescribe, and their spouses, their parents, and
24 their spouses' parents.

25 (10) Active employees and retirees and annuitants of
26 any agency specified in paragraphs (1) through (9) who
27 reside in the United States, its territories and possessions,
28 or in a country in which a provider network can be
29 established comparable in quality and effectiveness to
30 those established in the United States.

31 (e) Any California public agency or retirement system
32 may contract with the board to extend the provisions of
33 this article to its active and retired employees and
34 annuitants.

35 (f) Irrespective of paragraphs (1) through (10) of
36 subdivision (d), no person shall be enrolled unless he or
37 she meets the eligibility and underwriting criteria
38 established by the board.



1 (g) Irrespective of paragraphs (1) through (10) of
 2 subdivision (d), enrollment of active employees of the
 3 State of California shall be subject to Section 19867.

4 (h) The board shall establish eligibility criteria for
 5 enrollment, establish appropriate underwriting criteria
 6 for potential enrollees, define the scope of covered
 7 benefits, define the criteria to receive benefits, and set
 8 any other standards as needed.

9 (i) The full cost of enrollment in a long-term care
 10 insurance plan or in health care service plan contracts
 11 covering long-term care shall be paid by the enrollees.

12 (j) The long-term care insurance plans and health care
 13 service plan contracts covering long-term care shall not
 14 become part of, or subject to, the retirement or health
 15 benefits programs administered by the system.

16 (k) For any self-funded long-term care plan
 17 developed by the board, the premiums shall be deposited
 18 in the Public Employees' Long-term Care Fund.

19 SEC. 112. Section 22009.03 of the Government Code
 20 is amended to read:

21 22009.03. "Public agency" also includes a school
 22 district, a county superintendent of schools, and a
 23 regional occupational center or program established
 24 pursuant to Article 1 (commencing with Section 6500) of
 25 Chapter 5 of Division 7 of Title 1, with respect to
 26 employees eligible for membership in the State Teachers'
 27 Retirement ~~System~~ *Plan*.

28 This section shall become inoperative on July 1, 2004,
 29 and, as of January 1, 2005, is repealed, unless a later
 30 enacted statute, which becomes effective on or before
 31 January 1, 2005, deletes or extends the dates on which it
 32 becomes inoperative and is repealed.

33 SEC. 113. Section 22009.1 of the Government Code is
 34 amended to read:

35 22009.1. "Retirement system" includes:

36 (a) A pension, annuity, retirement or similar fund or
 37 system established by a public agency and covering only
 38 positions of that agency.

39 (b) The Public Employees' Retirement System with
 40 respect only to employees of the state and employees of



1 the University of California in positions covered by that
2 system.

3 (c) The Public Employees' Retirement System with
4 respect to employees of all school districts in positions
5 covered under each contract entered into by a county
6 superintendent of schools and the system.

7 (d) The ~~State—Teachers'~~ *Public Employees'*
8 Retirement System with respect to all employees in
9 positions subject to coverage under the Defined Benefit
10 Program ~~system of the Teachers' Retirement Plan~~ except
11 employees of a public agency having any employees in
12 positions covered by ~~such system~~ *the plan* who are also in
13 positions covered by a local retirement system for the
14 retirement of teachers, or for membership in which
15 public school teachers are eligible, operated by city, city
16 and county, county or other public agency or
17 combination of public agencies of the state.

18 (e) The Legislators' Retirement System with respect
19 to all employees in positions covered by that system.

20 (f) The Judges' Retirement System with respect to all
21 employees in positions covered by that system.

22 (g) The University of California Retirement System
23 only with respect to all employees in positions covered by
24 that system.

25 (h) The San Francisco City and County Employees'
26 Retirement System with respect to all employees in
27 positions covered by that system.

28 (i) Any other retirement system with respect only to
29 employees of any two or more of the public agencies
30 having employees in positions covered by ~~such that~~
31 system, as designated by the board and with regard to
32 which the board authorizes conduct of a referendum.

33 (j) Any retirement system with respect only to
34 employees of a hospital ~~which that~~ is an integral part of
35 a city incorporated between January 15, 1898 and July 15,
36 1898 in positions covered by the system, as designated by
37 the board on request of the city.

38 (k) Except as otherwise provided in subdivisions (b)
39 through (j) above, any retirement system with respect to



1 employees of each of the public agencies having
2 employees in positions covered by the system.

3 (l) Each division or part of a retirement system, as
4 defined in subdivisions (a), (b), (c), (e), (g), (h), (i), (j),
5 (k), and (m) of this section, ~~which~~ *that* is divided
6 pursuant to this chapter into two parts:

7 (1) The part composed of the positions of members of
8 ~~such~~ *the* system who desire coverage under the federal
9 system.

10 (2) The part composed of the positions of members of
11 ~~such~~ *the* system who do not desire coverage under the
12 federal system.

13 (m) The ~~State—Teachers’~~ *Public Employees’*
14 Retirement System with respect to all employees of each
15 public agency, as defined by Section 22009.03, in positions
16 covered by that system. This subdivision shall become
17 inoperative on July 1, 2004.

18 SEC. 114. Section 22018 of the Government Code is
19 amended to read:

20 22018. (a) It is the intent of the Legislature that, to
21 the extent possible, members of the State Teachers’
22 Retirement ~~System~~ *Plan* earn credit towards Medicare
23 coverage.

24 (b) In accomplishing the goal specified in subdivision
25 (a), the board shall make available to school districts,
26 community college districts, and county superintendents
27 of schools information concerning the procedure for
28 earning credit for social security coverage for school
29 related service not credited under the State Teachers’
30 Retirement Law.

31 SEC. 115. Section 22156 of the Government Code is
32 amended to read:

33 22156. (a) A division of the State Teachers’
34 Retirement ~~System~~ *Plan* is hereby authorized by the
35 Legislature to provide Medicare coverage for employees
36 of a public agency as defined in Section 22009.03, upon the
37 request of the public agency.

38 (b) The division authorized by subdivision (a) shall be
39 conducted pursuant to this article.



1 (c) A member of the State Teachers' Retirement
2 ~~System Plan~~ *Plan* on whose behalf a request is made pursuant
3 to subdivision (a), may elect to be covered by Medicare,
4 pursuant to Section 218 of the federal Social Security Act
5 (42 U.S.C. Sec. 418), and applicable federal regulations if
6 (1) the member was employed in a position covered by
7 the ~~system plan~~ *plan* on March 31, 1986, and (2) the member
8 has not since been mandated into Medicare coverage due
9 to the enactment of Public Law 99-272, and (3) the
10 member is in a position covered or the member is eligible
11 to elect to be covered by the retirement ~~system plan~~ *plan* on
12 the date of the division.

13 (d) The public agency shall, immediately after the
14 elections authorized in subdivision (b) have been made,
15 make application pursuant to Chapter 2 (commencing
16 with Section 22200) of this part for Medicare coverage for
17 those members who have elected to receive Medicare
18 coverage.

19 (e) The effective date of the coverage may be
20 retroactive a maximum of five years but not earlier than
21 January 1, 1987.

22 (f) This section shall become inoperative on July 1,
23 2004, and, as of January 1, 2005, is repealed, unless a later
24 enacted statute, which becomes effective on or before
25 January 1, 2005, deletes or extends the dates on which it
26 becomes inoperative and is repealed.

27 SEC. 116. Section 22202 of the Government Code is
28 amended to read:

29 22202. With respect to employees in the coverage
30 group defined in subdivision (a) of Section 22100, the
31 application shall be deemed to be made by a public
32 agency if made by the Adjutant General. ~~With respect to~~
33 ~~employees in positions covered by the retirement system~~
34 ~~set forth in subdivision (d) of Section 22009.1, the~~
35 ~~application shall be deemed to be made by a public~~
36 ~~agency if made by the Teachers' Retirement Board.~~ With
37 respect to employees in positions covered by the
38 retirement system set forth in subdivision (g) of Section
39 22009.1, the application shall be deemed to be made by a



1 public agency if made by the Regents of the University of
2 California.

3 SEC. 117. Section 22203 of the Government Code is
4 amended to read:

5 22203. Notwithstanding Section 22201, before the
6 board shall execute on behalf of the state an agreement
7 with the federal agency as provided in this chapter, the
8 public agency and the board shall enter into a written
9 agreement, ~~which that~~ shall include provisions not
10 inconsistent with this part—~~which that~~ the board deems
11 necessary in the administration of the federal system as
12 it affects the state and the public agency and its
13 employees.

14 For the purposes of this section, the state shall not be
15 deemed to be a public agency, but nevertheless an
16 agreement entered into pursuant to this part by the board
17 and ~~the Teachers' Retirement Board~~ or the Adjutant
18 General or the Regents of the University of California
19 shall be deemed to be entered into by the board and a
20 public agency.

21 SEC. 118. Section 22204 of the Government Code is
22 amended to read:

23 22204. The agreement between the state and the
24 federal agency shall include each coverage group or
25 retirement system coverage group as to which formal
26 request for the inclusion is made by the legislative or
27 governing body of the employing public agency pursuant
28 to this chapter, prior to the effective date of the
29 agreement. For the purposes of this section, the state shall
30 not be deemed to be a public agency, but nevertheless
31 any formal request for the inclusion made ~~by the~~
32 ~~Teachers' Retirement Board~~ upon authorization by the
33 Legislature *with respect to employees in positions*
34 *covered by the retirement system set forth in subdivision*
35 *(d) of Section 22009.1* or by the Regents of the University
36 of California, or by the Adjutant General, shall be deemed
37 to be made by the governing body of an employing public
38 agency.

39 SEC. 119. Section 22208 of the Government Code is
40 amended to read:



1 22208. With respect to each retirement system
2 coverage group, the legislative or governing body of
3 every public agency having employees in positions
4 covered by a retirement system, may, upon the
5 affirmative vote of a majority of eligible retirement
6 system employees of the retirement system coverage
7 group at a referendum conducted in accordance with
8 Article 2 (commencing with Section 22300) of this
9 chapter and the rules and regulations promulgated by the
10 board pursuant to this part, make formal application to
11 the board for the inclusion of the employees in each
12 retirement system coverage group in the agreement.
13 With respect to employees in positions covered by the
14 retirement system set forth in subdivision (d) of Section
15 22009.1, the formal application shall be deemed to be
16 made, if made prior to July 1, 2004, by the legislative or
17 governing body of a public agency as defined in Section
18 22009.03, or if on or after July 1, 2004, by the ~~Teachers²~~
19 ~~Retirement Board~~ *board*.

20 SEC. 120. Section 22302 of the Government Code is
21 amended to read:

22 22302. In the case of employees in positions covered
23 by the retirement system set forth in subdivision (d) of
24 Section 22009.1, if prior to July 1, 2004, the legislative or
25 governing body of a public agency as defined in Section
26 22009.03, or if on or after July 1, 2004, the ~~Teachers²~~
27 ~~Retirement Board~~ *board* shall conduct the referendum;
28 if the referendum is authorized by the Legislature.

29 In the case of employees in positions covered by the
30 retirement system set forth in subdivision (g) of Section
31 22009.1 the board shall authorize the referendum upon
32 the request of the regents of the University of California
33 and the regents shall conduct the referendum.

34 SEC. 121. Section 22502 of the Government Code is
35 amended to read:

36 22502. Agreements as defined in Section 22006, and all
37 applications and agreements and contracts and any
38 amendments thereto between the board and the
39 Adjutant General, the ~~State Teachers Retirement Board~~,
40 the Regents of the University of California and any public



1 agency, except the State executed by the board pursuant
2 to this part are hereby excepted from the provisions of
3 Section 13370 of the Government Code, and of any other
4 statutory provision—~~which~~ *that* would otherwise require
5 the approval of any such agreements and contracts and
6 any amendments thereto by any other state officer or
7 agency.

8 SEC. 122. Section 22754 of the Government Code is
9 amended to read:

10 22754. As used in this part the following definitions,
11 unless the context otherwise requires, shall govern the
12 interpretation of terms:

13 (a) “Board” means the Board of Administration of the
14 Public Employees’ Retirement System.

15 (b) “Employee” means:

16 (1) Any officer or employee of the State of California
17 or of any agency, department, authority, or
18 instrumentality of the state including the University of
19 California, or any officer or employee who is a local or
20 school member of the Public Employees’ Retirement
21 ~~System~~ *Plan* employed by a contracting agency that has
22 elected to be or otherwise has become subject to this part,
23 or who is a member or retirant of the State Teachers’
24 Retirement System employed by an employer who has
25 elected to become subject to this part, or who is an
26 employee or annuitant of a special district or county
27 subject to the County Employees Retirement Law of 1937
28 (Chapter 3 (commencing with Section 31450) of Part 3 of
29 Division 4 of Title 3) that has elected to become subject
30 to this part, or who is an employee or annuitant of a
31 special district, as defined in subdivision (i), that has
32 elected to become subject to this part, except persons
33 employed on an intermittent, irregular or less than
34 half-time basis, or employees similarly situated, or
35 employees in respect to whom contributions by the state
36 for any type of plan or program offering prepaid hospital
37 and medical care are otherwise authorized by law.

38 (2) Any officer or employee who participates in the
39 retirement system of a contracting agency as defined in
40 paragraph (2) of subdivision (g) that has elected to



1 become subject to this part, except persons employed less
2 than half time or who are otherwise determined to be
3 ineligible.

4 (3) Any annuitant of the Public Employees'
5 Retirement System employed by a contracting agency as
6 defined in subdivision (g) that has elected to become
7 subject to this part who is a person retired under Section
8 21228.

9 (c) "Carrier" means a private insurance company
10 holding a valid outstanding certificate of authority from
11 the Insurance Commissioner of the state, a medical
12 society or other medical group, a nonprofit hospital
13 service plan qualifying under Chapter 11A (commencing
14 with Section 11491) of Part 2 of Division 2 of the Insurance
15 Code, or nonprofit membership corporation lawfully
16 operating under Section 9200 or Section 9201 of the
17 Corporations Code, or a health care service plan as
18 defined under subdivision (f) of Section 1345 of the
19 Health and Safety Code, or a health maintenance
20 organization approved under Title XIII of the federal
21 Public Health Services Act, that is lawfully engaged in
22 providing, arranging, paying for, or reimbursing the cost
23 of personal health services under insurance policies or
24 contracts, medical and hospital service agreements,
25 membership contracts, or the like, in consideration of
26 premiums or other periodic charges payable to it.

27 (d) "Health benefits plan" means any program or
28 entity that provides, arranges, pays for, or reimburses the
29 cost of health benefits.

30 (e) "Annuitant" means:

31 (1) Any person who has retired within 120 days of
32 separation from employment and who receives any
33 retirement allowance under any state or University of
34 California retirement system to which the state was a
35 contributing party.

36 (2) A family member receiving an allowance as the
37 survivor of an annuitant who has retired as provided in
38 paragraph (1), or as the survivor of a deceased employee
39 under Section 21541, 21546, or 21547 or similar provisions
40 of any other state retirement system.



1 (3) Any employee who has retired under the
2 retirement system provided by a contracting agency as
3 defined in paragraph (2) of subdivision (g) and who
4 receives a retirement allowance from that retirement
5 system, or a surviving family member who receives the
6 retirement allowance in place of the deceased.

7 (4) Any person who was a state member for 30 years
8 or more and who, at the time of retirement, was a local
9 member employed by a contracting agency.

10 (f) “Family member” means an employee’s or
11 annuitant’s spouse and any unmarried child (including an
12 adopted child, a stepchild, or recognized natural child
13 who lives with the employee or annuitant in a regular
14 parent-child relationship). The board shall, by regulation,
15 prescribe age limits and other conditions and limitations
16 pertaining to unmarried children.

17 (g) “Contracting agency” means:

18 (1) Any contracting agency as defined in Section
19 20022, any county or special district subject to the County
20 Employees Retirement Law of 1937 (Chapter 3
21 commencing with Section 31450) of Part 3 of Division 4
22 of Title 3), and any special district, school district, county
23 board of education, personnel commission of a school
24 district or a county superintendent of schools.

25 (2) Any public body or agency of, or within California
26 not covered by the Public Employees’ Retirement
27 System or subject to the County Employees Retirement
28 Law of 1937 (Chapter 3 (commencing with Section
29 31450) of Part 3 of Division 4 of Title 3), that provides a
30 retirement system for its employees funded wholly or in
31 part by public funds.

32 (h) “Employer” means the state, any contracting
33 agency employing an employee, and any agency that has
34 elected to become subject to this part pursuant to Section
35 22856.

36 (i) “Special district” means a nonprofit, self-governed
37 public agency, within the State of California and
38 comprised solely of public employees, performing a
39 governmental rather than proprietary function.



1 SEC. 123. Section 22754.2 of the Government Code, as
2 added by Chapter 41 of the Statutes of 1998, is amended
3 to read:

4 22754.2. As used in this part the following definitions,
5 unless the context otherwise requires, shall govern the
6 interpretation of terms:

7 (a) "Board" means the Board of Administration of the
8 Public Employees' Retirement System.

9 (b) "Employee" means:

10 (1) Any officer or employee of the State of California
11 or of any agency, department, authority, or
12 instrumentality of the state including the University of
13 California, or any officer or employee who is a local or
14 school member of the Public Employees' Retirement
15 ~~System~~ *Plan* employed by a contracting agency that has
16 elected to be or otherwise has become subject to this part,
17 or who is a member or retirant of the State Teachers'
18 Retirement System employed by an employer who has
19 elected to become subject to this part, or who is an
20 employee or annuitant of a special district or county
21 subject to the County Employees Retirement Law of 1937
22 (Chapter 3 (commencing with Section 31450) of Part 3 of
23 Division 4 of Title 3) that has elected to become subject
24 to this part, or who is an employee or annuitant of a
25 special district, as defined in subdivision (i), that has
26 elected to become subject to this part, except persons
27 employed on an intermittent, irregular or less than
28 half-time basis, or employees similarly situated, or
29 employees in respect to whom contributions by the state
30 for any type of plan or program offering prepaid hospital
31 and medical care are otherwise authorized by law.

32 (2) Any officer or employee who participates in the
33 retirement system of a contracting agency as defined in
34 paragraph (2) of subdivision (g) that has elected to
35 become subject to this part, except persons employed less
36 than half time or who are otherwise determined to be
37 ineligible.

38 (3) Any annuitant of the Public Employees'
39 Retirement System employed by a contracting agency as
40 defined in subdivision (g) that has elected to become



1 subject to this part who is a person retired under Section
2 21228.

3 (4) Notwithstanding paragraph (1), “eligible
4 employee” of the State of California, as it applies to state
5 employees in State Bargaining Unit 19, means (A) a
6 permanent employee appointed half time or more; (B)
7 an employee who is a limited term or temporary
8 authorization appointee who continues coverage based
9 on prior continuous permanent status; (C) an employee
10 who is in a half time or more limited-term appointment
11 shall qualify after working six consecutive months; and
12 (D) an employee appointed half time or more to a
13 temporary appointment in lieu of a permanent
14 appointment; and (E) a permanent intermittent
15 employee who works a minimum of 480 hours in a
16 six-month control period. All other limited-term,
17 nonstatus employees as defined by the Department of
18 Personnel Administration and temporary authorization
19 employees are not eligible.

20 (c) “Carrier” means a private insurance company
21 holding a valid outstanding certificate of authority from
22 the Insurance Commissioner of the state, a medical
23 society or other medical group, a nonprofit hospital
24 service plan qualifying under Chapter 11A (commencing
25 with Section 11491) of Part 2 of Division 2 of the Insurance
26 Code, or nonprofit membership corporation lawfully
27 operating under Section 9200 or Section 9201 of the
28 Corporations Code, or a health care service plan as
29 defined under subdivision (f) of Section 1345 of the
30 Health and Safety Code, or a health maintenance
31 organization approved under Title XIII of the federal
32 Public Health Services Act, ~~which~~ *that* is lawfully
33 engaged in providing, arranging, paying for, or
34 reimbursing the cost of personal health services under
35 insurance policies or contracts, medical and hospital
36 service agreements, membership contracts, or the like, in
37 consideration of premiums or other periodic charges
38 payable to it.



1 (d) “Health benefits plan” means any program or
2 entity that provides, arranges, pays for, or reimburses the
3 cost of health benefits.

4 (e) “Annuitant” means:

5 (1) Any person who has retired within 120 days of
6 separation from employment and who receives any
7 retirement allowance under any state or University of
8 California retirement system to which the state was a
9 contributing party.

10 (2) A family member receiving an allowance as the
11 survivor of an annuitant who has retired as provided in
12 paragraph (1), or as the survivor of a deceased employee
13 under Section 21541, 21546, or 21571 or similar provisions
14 of any other state retirement system.

15 (3) Any employee who has retired under the
16 retirement system provided by a contracting agency as
17 defined in paragraph (2) of subdivision (g) and who
18 receives a retirement allowance from that retirement
19 system, or a surviving family member who receives the
20 retirement allowance in place of the deceased.

21 (4) Any person who was a state member for 30 years
22 or more and who, at the time of retirement, was a local
23 member employed by a contracting agency.

24 (f) “Family member” means an employee’s or
25 annuitant’s spouse and any unmarried child (including an
26 adopted child, a stepchild, or recognized natural child
27 who lives with the employee or annuitant in a regular
28 parent-child relationship). The board shall, by regulation,
29 prescribe age limits and other conditions and limitations
30 pertaining to unmarried children.

31 (g) “Contracting agency” means:

32 (1) Any contracting agency as defined in Section
33 20022, any county or special district subject to the County
34 Employees Retirement Law of 1937 (Chapter 3
35 commencing with Section 31450) of Part 3 of Division 4
36 of Title 3), and any special district, school district, county
37 board of education, personnel commission of a school
38 district or a county superintendent of schools.

39 (2) Any public body or agency of, or within California
40 not covered by the Public Employees’ Retirement



1 System or subject to the County Employees Retirement
2 Law of 1937 (Chapter 3 (commencing with Section
3 31450) of Part 3 of Division 4 of Title 3), ~~which that~~
4 provides a retirement system for its employees funded
5 wholly or in part by public funds.

6 (h) “Employer” means the state, any contracting
7 agency employing an employee, and any agency ~~which~~
8 *that* has elected to become subject to this part pursuant
9 to Section 22856.

10 (i) “Special district” means a nonprofit, self-governed
11 public agency, within the State of California and
12 comprised solely of public employees, performing a
13 governmental rather than proprietary function.

14 SEC. 124. Section 31565 of the Government Code is
15 amended to read:

16 31565. Any member of a system established under this
17 chapter who is employed in a status requisite for
18 membership in the State Teachers’ Retirement ~~System~~
19 *Plan*, may elect to transfer his *or her* membership to that
20 system. Any member who elects to transfer his *or her*
21 membership pursuant to this section may also elect in
22 writing to withdraw his *or her* accumulated
23 contributions, and in ~~such that~~ *that* event ~~he the member~~ shall
24 be paid all of his *or her* accumulated contributions in the
25 county retirement system.

26 SEC. 125. Section 31840.8 of the Government Code is
27 amended to read:

28 31840.8. The provisions of this chapter extending
29 rights to a member of a county retirement system
30 established under this chapter by reason of his or her
31 membership in the Public Employees’ Retirement
32 ~~System Plan~~ shall also apply to members of the ~~State~~
33 ~~Teachers’ Retirement System~~ Defined Benefit Plan of
34 *the State Teachers’ Retirement Plan*.

35 SEC. 126. Section 6217.5 of the Public Resources Code
36 is amended to read:

37 6217.5. Except for the revenues distributed pursuant
38 to Section 3826, all net revenues, moneys, and
39 remittances from the use of school lands and lieu lands
40 shall be deposited in the State Treasury to the credit of



1 the ~~Teachers' Retirement~~ *Public Employees' Retirement*
2 Fund and shall be expended pursuant to Section 24702 of
3 the Education Code.

O

