

Introduced by Senator Ortiz

February 22, 2000

An act to amend Sections 24411, 24412, 24415, 24416, and 24417 of the Education Code, relating to state teachers' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 1693, as introduced, Ortiz. State teachers' retirement: supplemental payments.

Under the State Teachers' Retirement Law, quarterly supplemental payments are made to retired members, disabled members, and beneficiaries from specified accounts to restore up to 75% of the purchasing power of the initial monthly allowances provided under the Defined Benefit Program, as specified.

This bill would provide that those supplemental payments shall be made to restore up to 80% of the purchasing power of those allowances.

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

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

1 SECTION 1. Section 24411 of the Education Code is
 2 amended to read:
 3 24411. (a) (1) Annual cost-of-living adjustments for
 4 retired members, disabled members, and beneficiaries in
 5 excess of the 2-percent adjustment authorized by Section
 6 22140 may be included as a General Fund appropriation



1 in the annual Budget Act. In the annual budget submitted
2 to the Legislature, the Governor shall include a budget
3 item equal to 5 percent of the average annualized
4 statewide increase in payroll for certificated personnel
5 over the three previous school years among school
6 districts, county offices of education, and community
7 college districts.

8 (2) The amount submitted in the annual Budget Act
9 pursuant to this section shall be considered as part of the
10 overall budget allocations to the public schools and
11 community colleges.

12 (b) The annual appropriation shall be made to the
13 system on July 1, and shall be placed in a segregated
14 account called the Retirees' Purchasing Power
15 Protection Account. The proceeds of that account are
16 continuously appropriated and shall be distributed
17 annually in quarterly payments commencing on
18 September 1 to retired members, disabled members, and
19 beneficiaries as follows:

20 (1) The proceeds shall be allocated among those
21 retired members, disabled members, and beneficiaries
22 whose allowances, after applying the 2-percent
23 adjustment authorized by Section 22140, have the lowest
24 purchasing power percentage, based on the amount that
25 would be paid had the original allowance been increased
26 by the increases in the index then being used by the
27 Department of Finance to measure changes in the cost of
28 living, increasing those allowances to a common
29 minimum purchasing power level. In any year in which
30 the purchasing power of the allowances of all retired
31 members, disabled members, and beneficiaries equals
32 not less than ~~75~~ 80 percent and additional funds remain
33 from the allocation authorized by this section, those funds
34 shall be allocated by the board to general accounts to
35 reduce the unfunded actuarial liability of the fund, *if any*.

36 (2) The board may deduct from the annual
37 appropriation an amount necessary for administrative
38 expenses to implement this section.

39 (c) The board shall inform each recipient of benefits
40 under subdivision (b) that the increases are not



1 cumulative, are not part of the base allowance, and shall
2 be available only as appropriated annually in the Budget
3 Act.

4 (d) The adjustments authorized by this section shall
5 not be included in the base allowance for purposes of
6 calculating the 2-percent adjustment authorized by
7 Section 22140.

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

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

23 SEC. 2. Section 24412 of the Education Code is
24 amended to read:

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



1 (b) The net revenues to be distributed shall be
2 allocated among those retired members, disabled
3 members, and beneficiaries whose allowances, after
4 sequentially applying the annual improvement factor as
5 defined in Section 22140 and the annual supplemental
6 payment as defined in Section 24411, if any, are below ~~75~~
7 80 percent of original purchasing power. The purchasing
8 power calculation for each individual allowance shall be
9 based on the change in the All Urban California
10 Consumer Price Index between June of the calendar year
11 of retirement and June of the fiscal year preceding the
12 fiscal year of the distribution. The allocation shall provide
13 a pro rata share of the amount needed to restore the
14 allowance payable, after sequential application of the
15 current year annual improvement factor and the
16 supplemental payment under Section 24411, to ~~75~~ 80
17 percent of original purchasing power.

18 (c) The allowance increase shall not be applicable to
19 annuities payable from the accumulated annuity deposit
20 contributions or the accumulated tax-sheltered annuity
21 contributions.

22 (d) In any year that the net revenues from school lands
23 and lieu lands is greater than that needed to adjust the
24 allowances of all retired members, disabled members,
25 and beneficiaries to ~~75~~ 80 percent of original purchasing
26 power, the net revenues in excess of that needed for
27 distribution shall be used by the board to reduce the
28 unfunded actuarial obligation of the fund, *if any*.

29 (e) The board shall inform each recipient of
30 supplemental payments under this section that the
31 increases are not cumulative and are not part of the base
32 allowance.

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

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



1 necessary to restore purchasing power up to—75 80
2 percent of the purchasing power of the initial monthly
3 allowance after the application of all allowance increases
4 authorized by this part, including those specified in
5 Section 24412.

6 (b) The net revenues to be distributed shall be
7 allocated among those retired members, disabled
8 members, and beneficiaries whose allowances, after
9 sequentially applying the annual improvement factor as
10 defined in Sections 22140 and 22141, and the annual
11 supplemental payment as defined in Section 24412, have
12 the lowest purchasing power percentage. The purchasing
13 power calculation for each individual shall be based on
14 the change in the All Urban California Consumer Price
15 Index between June of the calendar year of retirement
16 and June of the fiscal year preceding the fiscal year of
17 distribution. In any year in which the purchasing power
18 of the allowances of all retired members, disabled
19 members, and beneficiaries equals not less than—75 80
20 percent and additional funds remain from the allocation
21 authorized by this section, those funds shall remain in the
22 Supplemental Benefit Maintenance Account for
23 allocation in future years.

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

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

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



1 SEC. 4. Section 24416 of the Education Code is
2 amended to read:

3 24416. (a) Beginning in the 1997–98 fiscal year, if the
4 board determines by June 30 of the then current fiscal
5 year that the Supplemental Benefit Maintenance
6 Account will not have sufficient funds to provide
7 purchasing power of up to—~~75~~ 80 percent for the
8 subsequent fiscal year, the board, for that year, may do
9 either, or a combination of the following:

10 (1) Increase the employer contribution rate
11 commencing in the next fiscal year by an amount that
12 would provide sufficient funds for no more than the
13 estimated difference between the funds in the
14 Supplemental Benefit Maintenance Account and the
15 amount needed to pay the benefit level specified by the
16 board, provided the benefit level is no more than—~~75~~ 80
17 percent. Notwithstanding any other provision of this part,
18 the increase in the employer contribution rate shall only
19 become operative if the increase is approved or
20 authorized in the Budget Act.

21 (2) Reduce the supplemental benefit payment for the
22 subsequent fiscal year to the amount which can be funded
23 by the available funds in the Supplemental Benefit
24 Maintenance Account.

25 (b) If the board finds that there is no unfunded
26 obligation, as determined by the board's professional
27 consulting actuary and affirmed by the Director of
28 Finance, then in addition to the authority pursuant to
29 subdivision (a), the board may transfer to an auxiliary
30 Supplemental Benefit Maintenance Account, from any
31 funds that are in excess of the amount needed to fund
32 fully the benefits for which the Teachers' Retirement
33 Fund is liable, an amount that would provide sufficient
34 funds for no more than the estimated difference between
35 the funds in the Supplemental Benefit Maintenance
36 Account and the amount needed to pay the benefit level
37 specified by the board, provided the benefit level is no
38 more than—~~75~~ 80 percent.

39 (c) If the board increases the employer contribution
40 rate pursuant to paragraph (1) of subdivision (a), the



1 increase between the current fiscal year contribution rate
2 and the contribution rate in the next fiscal year, shall not
3 exceed one-quarter of 1 percent of the creditable
4 compensation upon which contributions are based.

5 SEC. 5. Section 24417 of the Education Code is
6 amended to read:

7 24417. (a) The proceeds of an auxiliary
8 Supplemental Benefit Maintenance Account shall be
9 distributed annually in quarterly supplemental
10 payments, commencing when funds in the Supplemental
11 Benefit Maintenance Account are insufficient to support
12 ~~75~~ 80 percent, to retired members, disabled members,
13 and beneficiaries. The amount available for distribution
14 in any fiscal year shall not exceed the amount necessary
15 to restore purchasing power up to ~~75~~ 80 percent of the
16 purchasing power of the initial monthly allowance after
17 the application of all allowance increases authorized by
18 this part, including those specified in Section 24412 and
19 Section 24415.

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

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

36 (d) The benefits provided by subdivision (b) are not
37 cumulative, nor part of the base allowance, and will be
38 payable only to the extent that funds are available from
39 the Supplemental Benefit Maintenance Account and the
40 auxiliary Supplemental Benefit Maintenance Account.



1 The board shall inform each recipient of the contents of
2 this subdivision.

3 (e) The distributions authorized by this section are
4 vested only up to the amount payable as a result of the
5 annual appropriation made pursuant to Section 22954 and
6 shall not be included in the base allowance for purposes
7 of calculating the annual improvement defined by
8 Section 22140 and 22141.

