

AMENDED IN ASSEMBLY APRIL 29, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 429

Introduced by Assembly Member Correa

February 12, 1999

An act to ~~amend Section 24600 of~~ *add Section 22404* to the Education Code, relating to the State Teachers' Retirement System.

LEGISLATIVE COUNSEL'S DIGEST

AB 429, as amended, Correa. State Teachers' Retirement System: ~~benefits~~ *gain-sharing revenue.*

Under the Teachers' Retirement Law, interest earned on assets of the retirement fund that is not credited to accounts maintained pursuant to the Defined Benefit Program, as defined, and other income with respect to the program, is allocated to provide benefits under the program. Existing law requires that an actuarial valuation of the assets and liabilities of the State Teachers' Retirement Plan be performed at least once every 6 years and that the Teachers' Retirement Board report annually to the Legislature and Director of Finance regarding the return on investments of the system.

This bill would provide that gain-sharing revenue, defined as the annual investment return, interest, and other income with respect to the Defined Benefit Program that exceeds the expected return for that period provided in the most recent actuarial valuation of assets, shall be allocated first to eliminate unfunded accrued actuarial liabilities, as specified; then to

reserves; and then to provide increased benefits or credits against contributions for active and retired members pursuant to future legislation, as specified.

~~Existing law, the State Teachers' Retirement System, sets forth procedures for the accrual and termination dates of benefits and allowances, including distributions from the Defined Benefit Program.~~

~~This bill would make technical, nonsubstantive changes to that provision effective January 1, 2002.~~

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

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

1 ~~SECTION 1. Section 24600 of the Education Code is~~
2 *SECTION 1. Section 22404 is added to the Education*
3 *Code, to read:*
4 *22404. (a) As used in this section:*
5 *(1) "Expected earnings" means the aggregate amount*
6 *of the return on investments, interest, and other earnings*
7 *with respect to the Defined Benefit Program that would*
8 *have been received by the retirement fund during any*
9 *fiscal year if the fund's assets had increased by the*
10 *actuarially assumed interest rate used in the most recent*
11 *actuarial valuation of the assets and liabilities of the plan*
12 *performed pursuant to Section 22311.*
13 *(2) "Gain-sharing revenue" means the amount by*
14 *which the actual return on investments, interest, and*
15 *other earnings with respect to the Defined Benefit*
16 *Program received by the retirement fund for any fiscal*
17 *year, as reported to the Director of Finance pursuant to*
18 *Section 22218.5, exceeds the expected earnings for the*
19 *same period.*
20 *(b) Notwithstanding any other provision of law, the*
21 *board shall allocate gain-sharing revenue as follows in the*
22 *following order of priority:*
23 *(1) The amount necessary to eliminate any unfunded*
24 *actuarial accrued liability associated with benefits in*
25 *effect on or before July 1, 1980, shall be allocated to the*
26 *appropriate accounts.*



1 (2) An amount determined by the board, based on a
2 recommendation from the actuary, that adequately
3 protects the fund in the event future earnings fall below
4 expected earnings shall be allocated to reserves under
5 this part.

6 (3) Any remaining gain-sharing revenue shall be
7 allocated to active member funds and retired member
8 funds in the Defined Benefit Program to provide
9 improvements in benefits or credits for contributions, or
10 both, pursuant to any subsequently enacted legislation
11 that expressly refers to this section or otherwise specifies
12 that gain-sharing revenue shall be the source of funding
13 for those benefits or contributions. For purposes of this
14 paragraph, gain-sharing revenues shall be allocated
15 proportionately to active member funds and to retired
16 member funds based on the percentage of the actuarial
17 accrued liability of the retirement fund with respect to
18 the Defined Benefit Program that is attributable (A) to
19 actuarial liabilities for future benefits payable to
20 currently active and inactive members, or (B) to
21 actuarial liabilities for benefits payable to currently
22 retired members and their beneficiaries, respectively.

23 amended to read:

24 ~~24600. (a) A retirement allowance under this part~~
25 ~~begins to accrue on the effective date of the member's~~
26 ~~retirement and ceases on the earlier of the day of the~~
27 ~~member's death or the day on which the retirement~~
28 ~~allowance terminated for a reason other than the~~
29 ~~member's death.~~

30 ~~(b) A retirement allowance payable to an option~~
31 ~~beneficiary under this part begins to accrue on the day~~
32 ~~following the day of the retired member's death and~~
33 ~~ceases on the day of the option beneficiary's death.~~

34 ~~(c) A disability allowance under this part begins to~~
35 ~~accrue on the effective date of the member's disability~~
36 ~~and ceases on the earlier of the day of the member's death~~
37 ~~or the day on which the disability allowance terminated~~
38 ~~for a reason other than the member's death.~~

39 ~~(d) A family allowance under this part begins to~~
40 ~~accrue on the day following the day of the member's~~



1 ~~death and ceases on the day of the event that terminates~~
2 ~~eligibility for the allowance.~~

3 ~~(e) A survivor benefit allowance payable to a~~
4 ~~surviving spouse under this part pursuant to Chapter 23~~
5 ~~(commencing with Section 23850) begins to accrue on~~
6 ~~the day the member would have attained 60 years of age~~
7 ~~or on the day following the day of the member's death, as~~
8 ~~elected by the surviving spouse, and ceases on the day of~~
9 ~~the surviving spouse's death.~~

10 ~~(f) A child's portion of an allowance under this part~~
11 ~~begins to accrue on the effective date of that allowance~~
12 ~~and ceases on the earlier of either the termination of the~~
13 ~~child's eligibility or the termination of the allowance. An~~
14 ~~allowance payable because of a full-time student shall~~
15 ~~terminate on the first day of the month following the end~~
16 ~~of the school quarter or semester that is in progress in the~~
17 ~~month the full-time student attains 22 years of age. Any~~
18 ~~adjustment to an allowance because of a full-time~~
19 ~~student's periods of nonattendance shall be made as~~
20 ~~follows: the allowance shall cease on the first day of the~~
21 ~~month in which return to full-time attendance was~~
22 ~~required and shall begin to accrue again on the first day~~
23 ~~of the month in which full-time attendance resumes.~~

24 ~~(g) Supplemental payments issued under this part~~
25 ~~pursuant to Sections 24701, 24702, and 24703 to retired~~
26 ~~members, disabled members, and beneficiaries shall~~
27 ~~begin to accrue pursuant to Sections 24701, 24702, and~~
28 ~~24703 and shall cease to accrue as of the termination dates~~
29 ~~specified in subdivisions (a) to (f), inclusive.~~

30 ~~(h) Notwithstanding any other provision of this part or~~
31 ~~other law, distributions from the plan with respect to the~~
32 ~~Defined Benefit Program shall be made in accordance~~
33 ~~with Section 401(a)(9) of the Internal Revenue Code of~~
34 ~~1986, as amended, including the incidental death benefit~~
35 ~~requirements of Section 401(a)(9)(G) and the~~
36 ~~regulations thereunder, and the required beginning date~~
37 ~~of benefit payments that represent the entire interest of~~
38 ~~the member in the Defined Benefit Program shall be as~~
39 ~~follows:~~



1 ~~(1) In the case of a refund of contributions, as~~
2 ~~described in Chapter 12 (commencing with Section~~
3 ~~23100) of this part, not later than April 1 of the calendar~~
4 ~~year following the later of (A) the calendar year in which~~
5 ~~the member attains 70 1/2 years of age or (B) the calendar~~
6 ~~year in which the member terminates employment~~
7 ~~within the meaning of subdivision (i).~~

8 ~~(2) In the case of a retirement allowance, as defined in~~
9 ~~Section 22150, beginning not later than April 1 of the~~
10 ~~calendar year following the later of (A) the calendar year~~
11 ~~in which the member attains 70 1/2 years of age or (B) the~~
12 ~~calendar year in which the member terminates~~
13 ~~employment within the meaning of subdivision (i), to~~
14 ~~continue over the life of the member or the lives of the~~
15 ~~member and the member's option beneficiary, or over~~
16 ~~the life expectancy of the member or the life expectancy~~
17 ~~of the member and the member's option beneficiary.~~

18 ~~(i) For purposes of subdivision (h), "terminates~~
19 ~~employment" means the later of the termination of~~
20 ~~employment subject to coverage by the Defined Benefit~~
21 ~~Program or the termination of employment in a position~~
22 ~~requiring or permitting membership in another public~~
23 ~~retirement system in this state the compensation from~~
24 ~~which may be included in final compensation under~~
25 ~~Section 22127.~~

26 ~~(j) This section shall become operative on January 1,~~
27 ~~2002.~~

