

AMENDED IN ASSEMBLY JANUARY 3, 2000

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 820

**Introduced by Committee on Public Employees, Retirement
and Social Security (Correa (Chair), Firebaugh, Honda,
Knox, and Pescetti)**

February 24, 1999

An act to amend ~~Sections 23200, 24411, 24412, 24415, and 24417~~ *Section 23200* of, and to add ~~Sections 24315 and 24418~~ *Section 24315* to, the Education Code, relating to teachers' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 820, as amended, Committee on Public Employees, Retirement and Social Security. Teachers' retirement.

Existing law establishes the State Teachers' Retirement System to provide retirement benefits to participating teachers.

Under existing law, if a member whose accumulated retirement contributions have been refunded, again becomes a member, the person may elect to redeposit those contributions with regular interest from the date of refund to the date of payment.

This bill would authorize the member to redeposit a portion of the refunded contribution, as specified.

Existing law provides that a member may elect an option for modified retirement allowance.

This bill would authorize the State Teachers' Retirement Board to waive those provisions if it determines that the waiver would affect fewer than 100 individuals and would not have a material effect on the fund.

~~Existing law generally provides for payment of certain benefits on a quarterly basis.~~

~~This bill would provide for the payment of those benefits on a monthly basis unless the member elects otherwise.~~

~~This bill would delete a provision relating to the use of revenues from school lands.~~

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 23200 of the Education Code is
2 amended to read:

3 23200. (a) If a person, whose accumulated
4 retirement contributions have been refunded, again
5 becomes a member of the Defined Benefit Program, the
6 person may elect to redeposit those contributions with
7 regular interest from the date of refund to the date of
8 payment. If the member elects to redeposit, the member
9 shall repay all accumulated retirement contributions that
10 were previously refunded under this part.

11 (b) For time prior to July 1, 1944, regular interest shall
12 be at 2 1/2 percent compounded annually.

13 (c) If a nonmember spouse, as defined in Section
14 22651, withdraws accumulated contributions in
15 accordance with Section 22661, the member may
16 redeposit a sum equal to those contributions pursuant to
17 subdivision (a), providing he or she is not receiving an
18 allowance under Chapter 26 (commencing with Section
19 24100) or Chapter 27 (commencing with Section 24201).

20 (d) A member may elect to redeposit a portion of all
21 accumulated retirement contributions that were
22 previously refunded, and, subject to requirements
23 imposed by the board, shall receive pro rata credit for that
24 contribution.



1 SEC. 2. Section 24315 is added to the Education Code,
2 to read:

3 24315. Notwithstanding any other provisions of this
4 chapter, the board may waive the provisions of this
5 chapter if the board determines that the waiver would
6 affect fewer than 100 individuals and would not have a
7 material effect on the fund. For that purpose, a material
8 effect is a cost in excess of one thousandth of one percent
9 (.0001) of the State Teachers' Retirement Fund assets.

10 ~~SEC. 3. Section 24411 of the Education Code is~~
11 ~~amended to read:~~

12 ~~24411. (a) (1) Annual cost-of-living adjustments for~~
13 ~~retired members, disabled members, and beneficiaries in~~
14 ~~excess of the 2-percent adjustment authorized by Section~~
15 ~~22140 may be included as a General Fund appropriation~~
16 ~~in the annual Budget Act. In the annual budget submitted~~
17 ~~to the Legislature, the Governor shall include a budget~~
18 ~~item equal to 5 percent of the average annualized~~
19 ~~statewide increase in payroll for certificated personnel~~
20 ~~over the three previous school years among school~~
21 ~~districts, county offices of education, and community~~
22 ~~college districts.~~

23 ~~(2) The amount submitted in the annual Budget Act~~
24 ~~pursuant to this section shall be considered as part of the~~
25 ~~overall budget allocations to the public schools and~~
26 ~~community colleges.~~

27 ~~(b) The annual appropriation shall be made to the~~
28 ~~system on July 1, and shall be placed in a segregated~~
29 ~~account called the Retirees' Purchasing Power~~
30 ~~Protection Account. The proceeds of that account are~~
31 ~~continuously appropriated and shall be distributed in~~
32 ~~monthly payments commencing on August 1 to retired~~
33 ~~members, disabled members, and beneficiaries as follows:~~

34 ~~(1) The proceeds shall be allocated among those~~
35 ~~retired members, disabled members, and beneficiaries~~
36 ~~whose allowanees, after applying the 2-percent~~
37 ~~adjustment authorized by Section 22140, have the lowest~~
38 ~~purchasing power percentage, based on the amount that~~
39 ~~would be paid had the original allowance been increased~~
40 ~~by the increases in the index then being used by the~~



1 Department of Finance to measure changes in the cost of
2 living, increasing those allowances to a common
3 minimum purchasing power level. In any year in which
4 the purchasing power of the allowances of all retired
5 members, disabled members, and beneficiaries equals
6 not less than 75 percent and additional funds remain from
7 the allocation authorized by this section, those funds shall
8 be allocated by the board to general accounts to reduce
9 the unfunded actuarial liability of the fund.

10 (2) The board may deduct from the annual
11 appropriation an amount necessary for administrative
12 expenses to implement this section.

13 (c) The board shall inform each recipient of benefits
14 under subdivision (b) that the increases are not
15 cumulative, are not part of the base allowance, and shall
16 be available only as appropriated annually in the Budget
17 Act.

18 (d) The adjustments authorized by this section shall
19 not be included in the base allowance for purposes of
20 calculating the 2-percent adjustment authorized by
21 Section 22140.

22 (e) It is the ultimate intent and purpose of the
23 Legislature in amending this section by Chapters 323 and
24 780 of the Statutes of 1983, to achieve a common
25 minimum purchasing power level equal to 75 percent of
26 the purchasing power of the original allowance. It is the
27 present intent of the Legislature that until adequate
28 funds are available to fulfill the ultimate intent, those
29 persons whose allowances have been most impacted by
30 inflation shall be accorded first priority in receiving,
31 pursuant to this section, supplemental cost-of-living
32 adjustments from the Retirees' Purchasing Power
33 Protection Account.

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

37 SEC. 4. Section 24412 of the Education Code is
38 amended to read:

39 24412. (a) The annual revenues deposited to the
40 Teachers' Retirement Fund pursuant to Section 6217.5 of



1 ~~the Public Resources Code are continuously appropriated~~
2 ~~without regard to fiscal year for the purposes of this~~
3 ~~section and shall be distributed in monthly supplemental~~
4 ~~payments commencing on August 1 of each year to~~
5 ~~retired members, disabled members, and beneficiaries.~~
6 ~~The amount available for distribution in any year shall be~~
7 ~~the income for that year from the sale or use of school~~
8 ~~lands and lieu lands, as estimated by the State Lands~~
9 ~~Commission prior to the beginning of the fiscal year,~~
10 ~~adjusted by the difference between the estimated and~~
11 ~~actual income for the preceding fiscal year. The board~~
12 ~~shall deduct from the revenues an amount necessary for~~
13 ~~administrative expenses to implement this section.~~

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

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

35 ~~(d) The board shall inform each recipient of~~
36 ~~supplemental payments under this section that the~~
37 ~~increases are not cumulative and are not part of the base~~
38 ~~allowance.~~

39 ~~SEC. 5. Section 24415 of the Education Code is~~
40 ~~amended to read:~~



1 ~~24415. (a) The proceeds of the Supplemental Benefit~~
2 ~~Maintenance Account shall be distributed in monthly~~
3 ~~supplemental payments commencing on August 1, 2000,~~
4 ~~to retired members, disabled members, and~~
5 ~~beneficiaries. The amount available for distribution in~~
6 ~~any fiscal year shall not exceed the amount necessary to~~
7 ~~restore purchasing power up to 75 percent of the~~
8 ~~purchasing power of the initial monthly allowance after~~
9 ~~the application of all allowance increases authorized by~~
10 ~~this part, including those specified in Section 24412.~~

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

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

33 ~~(d) The benefits provided by subdivision (b) are not~~
34 ~~cumulative, not part of the base allowance, and will be~~
35 ~~payable only to the extent that funds are available from~~
36 ~~the Supplemental Benefit Maintenance Account. The~~
37 ~~board shall inform each recipient of the contents of this~~
38 ~~subdivision.~~

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



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

5 ~~SEC. 6. 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 in monthly supplemental payments,~~
10 ~~commencing when funds in the Supplemental Benefit~~
11 ~~Maintenance Account are insufficient to support 75~~
12 ~~percent, to retired members, disabled members, and~~
13 ~~beneficiaries. The amount available for distribution in~~
14 ~~any fiscal year shall not exceed the amount necessary to~~
15 ~~restore purchasing power up to 75 percent of the~~
16 ~~purchasing power of the initial monthly allowance after~~
17 ~~the application of all allowance increases authorized by~~
18 ~~this part, including those specified in Section 24412 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 ~~(c) 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.~~

9 ~~SEC. 7. Section 24418 is added to the Education Code,~~
10 ~~to read:~~

11 ~~24418. The board shall allow retirees to receive the~~
12 ~~allowances specified in Sections 24415 and 24417 in~~
13 ~~quarterly distributions if the retiree elects to have~~
14 ~~distribution on a quarterly basis. The election shall be at~~
15 ~~a time determined by the board, and may be at a time of~~
16 ~~the first receipt of an allowance pursuant to Sections~~
17 ~~24415 and 24417.~~

