

AMENDED IN SENATE AUGUST 31, 2000

AMENDED IN SENATE JUNE 20, 2000

AMENDED IN ASSEMBLY MAY 26, 2000

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 2700

**Introduced by Assembly Member Lempert
(Principal coauthor: Assembly Member Knox)
(Coauthor: Assembly Member Thompson)
(Coauthor: Senator Ortiz)**

February 25, 2000

~~An act to amend Sections 22008, 22102, 22105, 22107, 22108, 22115, 22132, 22140, 22161.5, 22170, 22304, 22309, 22453, 22651, 22652, 22655, 22656, 22658, 22659, 22660, 22661, 22662, 22664, 22665, 22703, 22706, 23100, 24202.5, 24206, 24400, 24402, 24411, 24412, 24415, 24417, and 24600 of, to amend and renumber Sections 25000, 25100, 25110, 25115, 25120, and 25125 of, to amend, repeal, and add Sections 22119.2, 22905, 22954, and 22955 to, to add Sections 22101.5, 22104.7, 22104.9, 22105.5, 22122.7, 22127.2, 22133.5, 22139.5, 22146.7, 22156.05, 22166.5, 22176, 22302, 22311.5, 22311.7, 22901.5, 22955.5, 24300.5, and 24305.3 to, to add Chapter 38 (commencing with Section 25000) to Part 13 of Division 1 of Title 1 of, and to repeal and add Sections 22158, 22162, 22311, 22460, 22906, 23300, and 23881 to.~~
An act to amend Sections 22102, 22115, 22161.5, 22170, 22206, 22453, 22651, 22652, 22655, 22656, 22659, 22660, 22661, 22662, 22664, 22703, 22706, 22901.5, 24616, 24617, 25000, 25000.5, 25001, 25002, 25006, 25008, 25009, 25010, 25011, 25012, 25014,

25015, 25016, 25017, 25018, 25019, 25020, 25021, 25023, and 25024 of, to amend and renumber Section 22302 of, to amend, repeal, and add Sections 22119.2, 22905, 22954, 22955, and 24600 of, to add Sections 22101.5, 22144.5, 22146.7, 22177, 22311.5, 22955.5, and 24305.3 to, and to repeal and add Sections 22158, 22460, and 22906 of, the Education Code, relating to retirement, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 2700, as amended, Lempert. State teachers' retirement: Defined Benefit Supplement Program.

(1) Existing law establishes the Defined Benefit Program in the Teachers' Retirement Plan that provides retirement and disability benefits to members of the program. If Chapter 74 of the Statutes of 2000 becomes effective, it will establish the Defined Benefit Supplement Program for members of the Defined Benefit Program, pursuant to which members and employers will receive supplemental retirement, disability, final, or termination benefits, payable in a lump-sum or annuity, as specified.

This bill would make technical and conforming changes relating to the Defined Benefit Supplement Program and would make an appropriation of \$600,000 from the Teachers' Retirement Fund to the Teachers' Retirement Board for the administrative costs of implementing the program. These provisions would become operative only if Chapter 74 of the Statutes of 2000 becomes effective on January 1, 2001.

(2) Existing law authorizes the Teachers' Retirement Board to audit the records of any public agency as the board determines necessary.

This bill would authorize the board to excuse certain adverse audit findings occurring prior to January 1, 2002, and relating to changes in the law that will become operative on that date. The bill would make other technical changes that would become operative on specified dates subject to certain increases in school funding.

(3) The bill would incorporate additional changes to Sections 22652 and 22662 of the Education Code proposed by AB 820 to take effect if this bill and that bill are enacted and



become effective on or before January 1, 2001, and this bill is enacted last.

(4) The bill would reappropriate to the board, for specified administrative costs, unexpended funds previously appropriated to the board in 1999.

~~Existing law defines creditable compensation for purposes of the Defined Benefit Program established by the State Teachers' Retirement Law. That definition excludes money paid for service performed in excess of the full time equivalent for the position and money paid for overtime or summer school service and aggregate service performed as a member in excess of one year of service credit for any one school year.~~

~~This bill would establish the Defined Benefit Supplement Program, as specified, for members of the Defined Benefit Program, pursuant to which members and employers would commencing on July 1, 2002, make specified contributions to the Teachers' Retirement Fund based on the member's overtime, extra-curricular, and other service, as specified, thereby making an appropriation, and members would receive retirement, disability, final, or termination benefits, payable in a lump sum or annuity, as specified. The bill would make related technical and conforming changes.~~

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 22008 of the Education Code is~~
- 2 ~~amended to read:~~
- 3 ~~22008. For the purposes of payments into or out of the~~
- 4 ~~retirement fund for adjustments of errors or omissions~~
- 5 ~~with respect to the Defined Benefit Program or the~~
- 6 ~~Defined Benefit Supplement Program, the period of~~
- 7 ~~limitation of actions shall be applied, except as provided~~
- 8 ~~in Sections 23302 and 24613, as follows:~~
- 9 ~~(a) No action may be commenced by or against the~~
- 10 ~~board, the system, or the plan more than three years after~~
- 11 ~~all obligations to or on behalf of the member, former~~



1 member, beneficiary, or annuity beneficiary have been
2 discharged.

3 (b) If the system makes an error that results in
4 incorrect payment to a member, former member,
5 beneficiary, or annuity beneficiary, the system's right to
6 commence recovery shall expire three years from the
7 date the incorrect payment was made.

8 (c) If an incorrect payment is made due to lack of
9 information or inaccurate information regarding the
10 eligibility of a member, former member, beneficiary, or
11 annuity beneficiary to receive benefits under the
12 Defined Benefit Program or Defined Benefit
13 Supplement Program, the period of limitation shall
14 commence with the discovery of the incorrect payment.

15 (d) Notwithstanding any other provision of this
16 section, if an incorrect payment has been made on the
17 basis of fraud or intentional misrepresentation by a
18 member, beneficiary, annuity beneficiary, or other party
19 in relation to or on behalf of a member beneficiary, or
20 annuity beneficiary, the three-year period of limitation
21 shall not be deemed to commence or to have commenced
22 until the system discovers the incorrect payment.

23 (e) The collection of overpayments under
24 subdivisions (b), (c), and (d) shall be made pursuant to
25 Section 24617.

26 ~~SEC. 2.~~

27 *SECTION 1.* Section 22101.5 is added to the
28 Education Code, to read:

29 22101.5. "Accumulated Defined Benefit Supplement
30 account balance" means ~~an amount~~ *credits* equal to the
31 sum of member contributions, the member contributions
32 picked up by an employer, employer contributions, ~~and~~
33 interest credited on those contributions pursuant to
34 Section 25005 that are credited by the system to the
35 member's Defined Benefit Supplement account.
36 *credited pursuant to Section 25005 and additional*
37 *earnings credited pursuant to Section 25006.*

38 ~~SEC. 3.~~

39 *SEC. 2.* Section 22102 of the Education Code is
40 amended to read:



1 22102. “Accumulated retirement contributions”
2 means the sum of the member contributions, the
3 member contributions picked up by an employer
4 pursuant to Sections 22903 and 22904, and credited
5 interest on those contributions. Accumulated retirement
6 contributions shall not include accumulated annuity
7 deposit contributions, accumulated tax-sheltered annuity
8 contributions, accumulated Defined Benefit Supplement
9 ~~contributions~~ *account balance*, or additional earnings
10 credit.

11 ~~SEC. 4. Section 22104.7 is added to the Education~~
12 ~~Code, to read:~~

13 ~~22104.7. “Additional earnings credit” means an~~
14 ~~amount derived from investment income for the plan~~
15 ~~year as determined by the board by plan amendment and~~
16 ~~added to members’ Defined Benefit Supplement~~
17 ~~accounts in addition to the amount credited at the~~
18 ~~minimum interest rate for that plan year.~~

19 ~~SEC. 5. Section 22104.9 is added to the Education~~
20 ~~Code, to read:~~

21 ~~22104.9. “Annuitant Reserve” means a segregated~~
22 ~~account within the retirement fund established and~~
23 ~~maintained for expenditure on annuities payable under~~
24 ~~the Defined Benefit Supplement Program.~~

25 ~~SEC. 6. Section 22105 of the Education Code is~~
26 ~~amended to read:~~

27 ~~22105. (a) “Annuity,” with respect to the Defined~~
28 ~~Benefit Program, means payments for life derived from~~
29 ~~the “accumulated annuity deposit contributions” of a~~
30 ~~member.~~

31 ~~(b) “Annuity,” with respect to the Defined Benefit~~
32 ~~Supplement Program, means an alternative payment~~
33 ~~arrangement wherein a benefit based on the balance of~~
34 ~~credits in a member’s Defined Benefit Supplement~~
35 ~~account is paid monthly rather than in a lump sum.~~

36 ~~SEC. 7. Section 22105.5 is added to the Education~~
37 ~~Code, to read:~~

38 ~~22105.5. “Annuity beneficiary” means the person or~~
39 ~~persons designated by a member pursuant to Section~~



1 ~~25011 or 25018 to receive an annuity under the Defined~~
2 ~~Benefit Supplement Program upon the member's death.~~

3 ~~SEC. 8. Section 22107 of the Education Code is~~
4 ~~amended to read:~~

5 ~~22107. (a) "Beneficiary," with respect to the~~
6 ~~Defined Benefit Program, means any person or entity~~
7 ~~receiving or entitled to receive an allowance or lump-sum~~
8 ~~payment under the Defined Benefit Program because of~~
9 ~~the disability or death of a member.~~

10 ~~(b) "Beneficiary," with respect to the Defined Benefit~~
11 ~~Supplement Program, means any person or entity~~
12 ~~receiving or entitled to receive a final benefit under the~~
13 ~~Defined Benefit Supplement Program upon the death of~~
14 ~~a member.~~

15 ~~SEC. 9. Section 22108 of the Education Code is~~
16 ~~amended to read:~~

17 ~~22108. (a) "Benefit" or "benefits," with respect to~~
18 ~~the Defined Benefit Program, means any monthly~~
19 ~~payment due a retired member, disabled member, or~~
20 ~~beneficiary, and includes lump-sum payments due on~~
21 ~~account of death.~~

22 ~~(b) "Benefit" and "benefits," with respect to the~~
23 ~~Defined Benefit Supplement Program, means an amount~~
24 ~~equal to the balance of credits in a member's Defined~~
25 ~~Benefit Supplement account.~~

26 ~~SEC. 10.~~

27 ~~SEC. 3. Section 22115 of the Education Code is~~
28 ~~amended to read:~~

29 ~~22115. (a) "Compensation earnable" means the~~
30 ~~creditable compensation a person could earn in a school~~
31 ~~year for creditable service performed on a full-time basis,~~
32 ~~excluding service for which contributions are credited by~~
33 ~~the system to the Defined Benefit Supplement Program.~~

34 ~~(b) The board may determine compensation earnable~~
35 ~~for persons employed on a part-time basis.~~

36 ~~(c) When service credit for a school year is less than~~
37 ~~1.000, compensation earnable shall be the product~~
38 ~~obtained when creditable compensation paid in that year~~
39 ~~is divided by the service credit for that year, except as~~
40 ~~provided in subdivision (d).~~



1 (d) When a member earns creditable compensation at
2 multiple pay rates during a school year and service credit
3 at the highest pay rate is at least .900 of a year,
4 compensation earnable shall be determined as if all
5 service credit for that year had been earned at the highest
6 pay rate. This subdivision shall be applicable only for
7 purposes of determining final compensation. When a
8 member earns creditable compensation at multiple pay
9 rates during a school year and service credit at the highest
10 pay rate is less than .900 of a year, compensation earnable
11 shall be determined pursuant to subdivision (c).

12 (e) The amendments to this section made during the
13 second year of the 1999–2000 Regular Session shall
14 become operative on July 1, 2002, *if the revenue limit*
15 *cost-of-living adjustment computed by the*
16 *Superintendent of Public Instruction for the 2001–02*
17 *fiscal year is equal to or greater than 3.5 percent.*
18 *Otherwise the amendments to this section made during*
19 *the second year of the 1999–2000 Regular Session shall*
20 *become operative on July 1, 2003.*

21 ~~SEC. 11.~~

22 *SEC. 4.* Section 22119.2 of the Education Code is
23 amended to read:

24 22119.2. (a) “Creditable compensation” means
25 salary and other remuneration payable in cash by an
26 employer to a member for creditable service. Creditable
27 compensation shall include:

28 (1) Money paid in accordance with a salary schedule
29 based on years of training and years of experience for
30 creditable service performed up to and including the
31 full-time equivalent for the position in which the service
32 is performed.

33 (2) For members not paid according to a salary
34 schedule, money paid for creditable service performed
35 up to and including the full-time equivalent for the
36 position in which the service is performed.

37 (3) Money paid for the member’s absence from
38 performance of creditable service as approved by the
39 employer, except as provided in paragraph (7) of
40 subdivision (b).



1 (4) Member contributions picked up by an employer
2 pursuant to Section 22903 or 22904.

3 (5) Amounts deducted by an employer from the
4 member's salary, including deductions for participation
5 in a deferred compensation plan; deductions for the
6 purchase of annuity contracts, tax-deferred retirement
7 plans, or other insurance programs; and deductions for
8 participation in a plan that meets the requirements of
9 Section 125, 401(k), or 403(b) of Title 26 of the United
10 States Code.

11 (6) Money paid by an employer in addition to salary
12 paid under paragraph (1) or (2) if paid to all employees
13 in a class in the same dollar amount, the same percentage
14 of salary, or the same percentage of the amount being
15 distributed.

16 (7) Money paid in accordance with a salary schedule
17 by an employer to an employee for achieving
18 certification from a national board awarding
19 certifications, in which eligibility for this certification is
20 based, in part, on years of training or years of experience
21 in teaching service, if the compensation is paid by the
22 employer to all employees who achieved this
23 certification.

24 (8) Any other payments the board determines to be
25 "creditable compensation."

26 (b) "Creditable compensation" does not mean and
27 shall not include:

28 (1) Money paid for service performed in excess of the
29 full-time equivalent for the position.

30 (2) Money paid for overtime or summer school
31 service, or money paid for the aggregate service
32 performed as a member of the Defined Benefit Program
33 in excess of one year of service credit for any one school
34 year.

35 (3) Money paid for service that is not creditable
36 service pursuant to Section 22119.5.

37 (4) Money paid by an employer in addition to salary
38 paid under paragraph (1) or (2) of subdivision (a) if not
39 paid to all employees in a class in the same dollar amount,
40 the same percentage of salary, or the same percentage of



1 the amount being distributed, except as provided in
2 paragraph (7) of subdivision (a).

3 (5) Fringe benefits provided by an employer.

4 (6) Job-related expenses paid or reimbursed by an
5 employer.

6 (7) Money paid for unused accumulated leave.

7 (8) Severance pay or compensatory damages or
8 money paid to a member in excess of salary as a
9 compromise settlement.

10 (9) Annuity contracts, tax-deferred retirement
11 programs, or other insurance programs, including, but
12 not limited to, plans that meet the requirements of
13 Section 125, 401(k), or 403(b) of Title 26 of the United
14 States Code that are purchased by an employer for the
15 member and are not deducted from the member's salary.

16 (10) Any payments determined by the board to have
17 been made by an employer for the principal purpose of
18 enhancing a member's benefits under the Defined
19 Benefit Program. An increase in the salary of a member
20 who is the only employee in a class pursuant to
21 subdivision (b) of Section 22112.5 that arises out of an
22 employer's restructuring of compensation during the
23 member's final compensation period shall be presumed
24 to have been granted for the principal purpose of
25 enhancing benefits under the Defined Benefit Program
26 and shall not be creditable compensation. If the board
27 determines sufficient evidence is provided to the system
28 to rebut this presumption, the increase in salary shall be
29 deemed creditable compensation.

30 (11) Any other payments the board determines not to
31 be "creditable compensation."

32 (c) Any employer or person who knowingly or
33 willfully reports compensation in a manner inconsistent
34 with subdivision (a) or (b) shall reimburse the plan for
35 any overpayment of benefits that occurs because of that
36 inconsistent reporting and may be subject to prosecution
37 for fraud, theft, or embezzlement in accordance with the
38 Penal Code. The system may establish procedures to
39 ensure that compensation reported by an employer is in
40 compliance with this section.



1 (d) The definition of “creditable compensation” in
 2 this section is designed in accordance with sound funding
 3 principles that support the integrity of the retirement
 4 fund. These principles include, but are not limited to,
 5 consistent treatment of compensation throughout the
 6 career of the individual member, consistent treatment of
 7 compensation for an entire class of employees, the
 8 prevention of adverse selection, and the exclusion of
 9 adjustments to, or increases in, compensation for the
 10 principal purpose of enhancing benefits.

11 (e) This section shall be deemed to have become
 12 operative on July 1, 1996.

13 (f) This section shall become inoperative on July 1,
 14 2002, ~~and, as of January 1, 2003, if the revenue limit~~
 15 ~~cost-of-living adjustment computed by the~~
 16 ~~Superintendent of Public Instruction for the 2001-02~~
 17 ~~fiscal year is equal to or greater than 3.5 percent.~~
 18 ~~Otherwise this section shall become inoperative on July~~
 19 ~~1, 2003 and as of January 1, 2004, this section is repealed,~~
 20 unless a later enacted statute, that becomes operative on
 21 or before January 1, ~~2003~~ 2004, deletes or extends the
 22 dates on which it becomes inoperative and is repealed.

23 ~~SEC. 12.~~

24 SEC. 5. Section 22119.2 is added to the Education
 25 Code, to read:

26 22119.2. (a) “Creditable compensation” means
 27 remuneration that is payable in cash by an employer to
 28 all persons in the same class of employees and is paid to
 29 an employee for performing creditable service.
 30 Creditable compensation shall include:

31 (1) Salary paid in accordance with a salary schedule or
 32 employment agreement.

33 (2) Remuneration that is paid in addition to salary,
 34 providing it is payable to all persons who are in the same
 35 class of employees in the same dollar amount, the same
 36 percentage of salary, or the same percentage of the
 37 amount being distributed.

38 (3) Remuneration that is paid for the use of sick leave,
 39 vacation, and other employer-approved leave, except as
 40 provided in paragraph (4) of subdivision (c).



1 (4) Member contributions that are picked up by an
2 employer pursuant to Section 22903 or 22904.

3 (5) Amounts that are deducted from a member's
4 compensation, including, but not limited to, salary
5 deductions for participation in a deferred compensation
6 plan; deductions to purchase an annuity contract, tax-
7 deferred retirement plan, or insurance program; and
8 contributions to a plan that meets the requirements of
9 Section 125, 401(k), or 403(b) of Title 26 of the United
10 States Code.

11 (6) Any other payments the board determines to be
12 "creditable compensation."

13 (b) Any salary or other remuneration determined by
14 the board to have been paid for the principal purpose of
15 enhancing a member's benefits under the plan shall not
16 be credited under the Defined Benefit Program.
17 Contributions on that compensation shall be credited to
18 the Defined Benefit Supplement Program. A
19 presumption by the board that salary or other
20 remuneration was paid for the principal purpose of
21 enhancing the member's benefits under the plan may be
22 rebutted by the member or by the employer on behalf of
23 the member. Upon receipt of sufficient evidence to the
24 contrary, a presumption by the board that salary or other
25 remuneration was paid for the principal purpose of
26 enhancing the member's benefits under the plan may be
27 reversed.

28 (c) "Creditable compensation" does not mean and
29 shall not include:

30 (1) Remuneration that is not payable in cash or is not
31 payable to all persons who are in the same class of
32 employees.

33 (2) Remuneration that is paid for service that is not
34 creditable service pursuant to Section 22119.5.

35 (3) Remuneration that is paid in addition to salary if it
36 is not payable to all persons in the same class of employees
37 in the same dollar amount, the same percentage of salary,
38 or the same percentage of the amount being distributed
39 pursuant to paragraph (2) of subdivision (a).

1 (4) Remuneration that is paid for unused accumulated
2 leave.

3 (5) Annuity contracts, tax-deferred retirement plans,
4 or insurance programs and contributions to plans that
5 meet the requirements of Section 125, 401(k), or 403(b)
6 of Title 26 of the United States Code when the cost is
7 covered by an employer and is not deducted from the
8 member's salary.

9 (6) Fringe benefits provided by an employer.

10 (7) Job-related expenses paid or reimbursed by an
11 employer.

12 (8) Severance pay or compensatory damages or
13 money paid to a member in excess of salary as a
14 compromise settlement.

15 (9) Any other payments the board determines not to
16 be "creditable compensation."

17 (d) An employer or individual who knowingly or
18 willfully reports compensation in a manner inconsistent
19 with subdivision (a) or (c) shall reimburse the plan for
20 benefit overpayments that occur because of that
21 inconsistent reporting and may be subject to prosecution
22 for fraud, theft, or embezzlement in accordance with the
23 Penal Code. The system may establish procedures to
24 ensure that compensation reported by an employer is in
25 compliance with this section.

26 (e) *For purposes of this section, remuneration shall be*
27 *considered payable if it would be paid to any person who*
28 *meets the qualifications or requirements specified in a*
29 *collective bargaining agreement or an employment*
30 *agreement as a condition of receiving the remuneration.*

31 (f) This definition of "creditable compensation"
32 reflects sound principles that support the integrity of the
33 retirement fund. Those principles include, but are not
34 limited to, consistent treatment of compensation
35 throughout a member's career, consistent treatment of
36 compensation among an entire class of employees,
37 preventing adverse selection, and excluding from
38 compensation earnable remuneration that is paid for the
39 principal purpose of enhancing a member's benefits
40 under the plan. The board shall determine the



1 appropriate crediting of contributions between the
2 Defined Benefit Program and the Defined Benefit
3 Supplement Program according to these principles, to
4 the extent not otherwise specified pursuant to this part.

5 (f)

6 (g) The section shall become operative on July 1, 2002,
7 *if the revenue limit cost-of-living adjustment computed*
8 *by the Superintendent of Public Instruction for the*
9 *2001-02 fiscal year is equal to or greater than 3.5 percent.*
10 *Otherwise this section shall become operative on July 1,*
11 *2003.*

12 ~~SEC. 13. Section 22122.7 is added to the Education~~
13 ~~Code, to read:~~

14 ~~22122.7. “Defined Benefit Supplement~~
15 ~~contributions” means member contributions and~~
16 ~~employer contributions that are credited by the system~~
17 ~~to the member’s Defined Benefit Supplement account~~
18 ~~pursuant to Section 25004.~~

19 ~~SEC. 14. Section 22127.2 is added to the Education~~
20 ~~Code, to read:~~

21 ~~22127.2. “Disability benefit” means the amount~~
22 ~~payable under the Defined Benefit Supplement Program~~
23 ~~based on the balance of credits in a member’s Defined~~
24 ~~Benefit Supplement account to either a disabled member~~
25 ~~pursuant to Section 24005 or to a member who retired for~~
26 ~~disability pursuant to Section 24105.~~

27 ~~SEC. 15. Section 22132 of the Education Code is~~
28 ~~amended to read:~~

29 ~~22132. “Employed” or “employment” means~~
30 ~~employment to perform creditable service subject to~~
31 ~~coverage under the Defined Benefit Program or the~~
32 ~~Defined Benefit Supplement Program, except as~~
33 ~~otherwise specifically provided under this part.~~

34 ~~SEC. 16. Section 22133.5 is added to the Education~~
35 ~~Code, to read:~~

36 ~~22133.5. “Final benefit” means the amount payable to~~
37 ~~a beneficiary under the Defined Benefit Supplement~~
38 ~~Program upon the death of the member.~~

39 ~~SEC. 17. Section 22139.5 is added to the Education~~
40 ~~Code, to read:~~



1 ~~22139.5. “Gain and Loss Reserve” means a segregated~~
2 ~~account within the retirement fund that is established~~
3 ~~and maintained to do either of the following:~~

4 ~~(a) Credit interest to members’ Defined Benefit~~
5 ~~Supplement accounts at the minimum interest rate for~~
6 ~~plan years in which the board determines that the~~
7 ~~obligation cannot be met from the plan’s investment~~
8 ~~earnings with respect to the Defined Benefit Supplement~~
9 ~~Program.~~

10 ~~(b) Provide additions to the Annuitant Reserve to~~
11 ~~meet the plan’s obligation for annuities payable under the~~
12 ~~Defined Benefit Supplement Program.~~

13 ~~SEC. 18. Section 22140 of the Education Code is~~
14 ~~amended to read:~~

15 ~~22140. (a) “Improvement factor,” with respect to~~
16 ~~the Defined Benefit Program, means an increase of 2~~
17 ~~percent in monthly allowances. The improvement factor~~
18 ~~shall be added to a monthly allowance each year on~~
19 ~~September 1, commencing on September 1 following the~~
20 ~~first anniversary of the effective date of retirement, or the~~
21 ~~date on which the monthly allowance commenced to~~
22 ~~accrue to any beneficiary, or other periods specifically~~
23 ~~stated in this part.~~

24 ~~(b) “Improvement factor,” with respect to the~~
25 ~~Defined Benefit Supplement Program, means an~~
26 ~~increase of 2 percent in monthly annuities. The~~
27 ~~improvement factor shall be added to a monthly annuity~~
28 ~~each year on September 1, commencing on the~~
29 ~~September 1 following the first anniversary of the date~~
30 ~~the annuity first became payable.~~

31 ~~(c) The improvement factor shall not be compounded~~
32 ~~nor shall it be applicable to annuities payable from the~~
33 ~~accumulated annuity deposit contributions or the~~
34 ~~accumulated tax-sheltered annuity contributions. The~~
35 ~~Legislature reserves the right to adjust the amount of the~~
36 ~~improvement factor up or down as economic conditions~~
37 ~~dictate. No adjustments of the improvement factor shall~~
38 ~~reduce the monthly retirement allowance or annuity~~
39 ~~below that which would be payable to the recipient under~~
40 ~~this part had this section not been enacted.~~



1 ~~SEC. 19.~~

2 *SEC. 6. Section 22144.5 is added to the Education*
3 *Code, to read:*

4 *22144.5. "Liability gains and losses" means the*
5 *difference between actual noninvestment related*
6 *experience and the experience expected based upon a set*
7 *of noninvestment related actuarial assumptions during*
8 *the period between two actuarial valuation dates, as*
9 *determined in accordance with assumptions adopted by*
10 *the board pursuant to Section 22311.5.*

11 *SEC. 7. Section 22146.7 is added to the Education*
12 *Code, to read:*

13 *22146.7. "Minimum interest rate" means the annual*
14 *interest rate determined by the board by plan*
15 *amendment at which interest will shall be credited to*
16 *Defined Benefit Supplement accounts for a plan year.*

17 ~~SEC. 20. Section 22156.05 is added to the Education~~
18 ~~Code, to read:~~

19 ~~22156.05. "Plan year" means the period of time~~
20 ~~beginning on July 1 of one calendar year and ending on~~
21 ~~June 30 of the following calendar year. For purposes of the~~
22 ~~Defined Benefit Supplement Program, the board shall~~
23 ~~designate by plan amendment the initial plan year.~~

24 ~~SEC. 21.~~

25 *SEC. 8. Section 22158 of the Education Code is*
26 *repealed.*

27 ~~SEC. 22.~~

28 *SEC. 9. Section 22158 is added to the Education Code,*
29 *to read:*

30 *22158. (a) "Projected service" means the sum of*
31 *credited service plus the credited service that would have*
32 *been earned for the school years during which a disability*
33 *allowance was payable if the member had performed*
34 *creditable service during that time.*

35 *(b) Projected service for a school year shall be*
36 *determined on the basis of the highest credited service*
37 *earned by the member during any one of the three school*
38 *years immediately preceding the member's death or the*
39 *date the disability allowance began to accrue.*



1 (c) Projected service shall not include credited service
2 for which contributions have been credited to the
3 Defined Benefit Supplement Program.

4 ~~SEC. 23.~~

5 ~~SEC. 10.~~ Section 22161.5 of the Education Code is
6 amended to read:

7 22161.5. “Refund” means the lump-sum return of a
8 member’s accumulated retirement contributions under
9 the Defined Benefit Program and does not include
10 ~~accumulated contributions credited to the Defined~~
11 ~~Benefit Supplement Program.~~ *the balance of credits in*
12 *the member’s Defined Benefit Supplement account.*

13 ~~SEC. 24.~~ Section 22162 of the Education Code is
14 repealed.

15 ~~SEC. 25.~~ Section 22162 is added to the Education
16 Code, to read:

17 22162. “Regular interest” means interest that is
18 compounded annually based on the annual equivalent of
19 the prior year’s average yield to maturity on the
20 investment grade fixed income securities attributable to
21 the Defined Benefit Program, but not on assets
22 attributable to the Defined Benefit Supplement
23 Program. The regular interest rate shall be adopted
24 annually by the board as a plan amendment with respect
25 to the Defined Benefit Program.

26 ~~SEC. 26.~~ Section 22166.5 is added to the Education
27 Code, to read:

28 22166.5. “Retirement benefit” means the amount
29 payable under the Defined Benefit Supplement Program
30 based on the balance of credits in the member’s Defined
31 Benefit Supplement account to a member who has
32 retired for service under the Defined Benefit Program.

33 ~~SEC. 27.~~

34 ~~SEC. 11.~~ Section 22170 of the Education Code is
35 amended to read:

36 22170. “Service” means work performed for
37 compensation in a position subject to coverage under the
38 Defined Benefit Program, except as otherwise
39 specifically provided in this part, providing the



1 contributions on compensation for that work are not
2 credited to the Defined Benefit Supplement Program.

3 ~~SEC. 28. Section 22176 is added to the Education~~
4 ~~Code, to read:~~

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

11 ~~SEC. 29. Section 22302 is added to the Education~~
12 ~~Code, to read:~~

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

18 ~~SEC. 30. Section 22304 of the Education Code is~~
19 ~~amended to read:~~

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

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

29 ~~SEC. 31. Section 22309 of the Education Code is~~
30 ~~amended to read:~~

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

38 ~~(b) The board shall periodically make a good faith~~
39 ~~effort to locate inactive members to provide these~~



1 ~~members with information concerning any benefit for~~
2 ~~which they may be eligible.~~

3 ~~SEC. 32. Section 22311 of the Education Code is~~
4 ~~repealed.~~

5 ~~SEC. 33. Section 22311 is added to the Education~~
6 ~~Code, to read:~~

7 ~~22311. The board shall maintain all data necessary to~~
8 ~~perform an actuarial investigation of the demographic~~
9 ~~and economic experience of the plan and for the actuarial~~
10 ~~valuation of the assets and liabilities of the plan.~~

11 ~~SEC. 34.~~

12 ~~SEC. 12. Section 22177 is added to the Education~~
13 ~~Code, to read:~~

14 ~~22177. (a) “Unfunded actuarial obligation,” with~~
15 ~~respect to the Defined Benefit Program, means that~~
16 ~~portion of the actuarial present value of benefits that is~~
17 ~~not provided for by future, normal costs or covered by the~~
18 ~~actuarial value of assets attributable to the Defined~~
19 ~~Benefit Program, based on assumptions adopted by the~~
20 ~~board pursuant to Section 22311.5.~~

21 ~~(b) “Unfunded actuarial obligation,” with respect to~~
22 ~~the Defined Benefit Supplement Program, means that~~
23 ~~portion of the actuarial present value of benefits that is~~
24 ~~not provided for by future, normal costs or covered by the~~
25 ~~actuarial value of assets attributable to the Defined~~
26 ~~Benefit Supplement Program, based on assumptions~~
27 ~~adopted by the board pursuant to Section 22311.5.~~

28 ~~SEC. 13. Section 22206 of the Education Code is~~
29 ~~amended to read:~~

30 ~~22206. (a) As often as the board determines~~
31 ~~necessary, it may audit or cause to be audited the records~~
32 ~~of any public agency.~~

33 ~~(b) The board may excuse any audit finding provided~~
34 ~~all of the following conditions are met:~~

35 ~~(1) The audit finding relates to a period of time prior~~
36 ~~to July 1, 2002.~~

37 ~~(2) The audit finding identifies an issue that is not in~~
38 ~~compliance with the provisions of this part with respect~~
39 ~~to creditable service or creditable compensation.~~



1 (3) *The noncompliance would not have existed if the*
2 *service and compensation crediting changes that shall*
3 *become operative on July 1, 2002, as a result of legislation*
4 *enacted during the second year of the 1999–2000 Regular*
5 *Session, had been operative during the period of time*
6 *investigated in the audit.*

7 (4) *The audit finding was included in an audit report*
8 *issued on or after January 1, 2001.*

9 (5) *Excusing the audit finding will not have an adverse*
10 *effect on the integrity of the retirement fund.*

11 (c) *The board's authority pursuant to subdivision (b)*
12 *shall extend to service and compensation issues identified*
13 *through activities outside the audit function that address*
14 *compliance with the provisions of this part.*

15 *SEC. 13.5. Section 22302 of the Education Code, as*
16 *added by Chapter 74 of the Statutes of 2000, is amended*
17 *and renumbered to read:*

18 ~~22302.~~

19 22302.5. The board may contract with a qualified
20 third-party administrator for custodial, record keeping,
21 or other administrative services necessary to carry into
22 effect the provisions of Chapter 38 (commencing with
23 Section 25000) of this part or Part 14.

24 *SEC. 14.* Section 22311.5 is added to the Education
25 Code, to read:

26 22311.5. The board shall acquire the services of an
27 actuary to do all of the following:

28 (a) Make recommendations to the board for the
29 adoption of actuarial assumptions that, in the aggregate,
30 are reasonably related to the past experience of the plan
31 and reflect the actuary's informed estimate of the future
32 experience.

33 (b) Make an actuarial investigation of the
34 demographic and economic experience, including the
35 mortality, service, and other experience, of the plan with
36 respect to members and beneficiaries of the Defined
37 Benefit Program; members, beneficiaries, and annuity
38 beneficiaries of the Defined Benefit Supplement
39 Program; and participants and beneficiaries of the Cash
40 Balance Benefit Program.



1 (c) Make an annual actuarial review of the goals
2 regarding the sufficiency of the Gain and Loss Reserves
3 with respect to the Defined Benefit Supplement
4 Program and the Cash Balance Benefit Program and
5 ~~recommend to the board the goal for maintaining~~ *make*
6 *recommendations to the board for maintaining a*
7 sufficient Gain and Loss Reserves for the Defined Benefit
8 Supplement Program and the Cash Balance Benefit
9 Program.

10 (d) Recommend to the board the amount, if any, to be
11 transferred to the separate Gain and Loss Reserves from
12 the investment earnings of the plan with respect to the
13 Defined Benefit Supplement Program and the Cash
14 Balance Benefit Program.

15 (e) At least once every six years with respect to the
16 Defined Benefit Program and annually with respect to
17 the Defined Benefit Supplement Program and the Cash
18 Balance Benefit Program, using actuarial assumptions
19 adopted by the board, perform an actuarial valuation of
20 ~~the plan that identifies the assets and liabilities of the plan;~~
21 *each program that identifies the assets and liabilities,* and
22 report the findings to the board. The report of the actuary
23 on the results of ~~the~~ *each* actuarial valuation shall identify
24 and include the components of normal cost, *if applicable,*
25 and adequate information to determine the effects of
26 changes in actuarial assumptions. Copies of the report on
27 ~~the~~ *each* actuarial valuation shall be transmitted to the
28 Governor and to the Legislature.

29 (f) Recommend to the board all rates and factors
30 necessary to administer the plan, including, but not
31 limited to, mortality tables, annuity factors, interest rates,
32 and additional earnings credits.

33 (g) Recommend to the board a strategy for amortizing
34 any unfunded actuarial obligation.

35 (h) As requested by the board, perform any other
36 actuarial services that may be required for administration
37 of the plan.

38 ~~SEC. 35. Section 22311.7 is added to the Education~~
39 ~~Code, to read:~~



1 ~~22311.7. Upon the basis of the actuarial investigation~~
2 ~~and actuarial valuation pursuant to Section 22311.5, or any~~
3 ~~part thereof, the board shall adopt by plan amendment~~
4 ~~actuarial assumptions, rates, factors, and tables as the~~
5 ~~board determines are necessary for administration of the~~
6 ~~plan and its programs.~~

7 ~~SEC. 36.~~

8 *SEC. 15.* Section 22453 of the Education Code is
9 amended to read:

10 22453. (a) Except as provided in Section 22454, the
11 signature of the spouse of a member shall be required
12 *under the Defined Benefit Program* on any application
13 for, or cancellation of, an unmodified allowance; ~~any~~
14 ~~application for, or cancellation of, any annuity or~~
15 ~~termination benefit under the Defined Benefit~~
16 ~~Supplement Program; the election, change, or allowance;~~
17 *the election, change, or cancellation of an option; or any*
18 request for a refund of the member's accumulated
19 retirement contributions or accumulated annuity deposit
20 contributions; ~~or; and under the Defined Benefit~~
21 *Supplement Program on any application for, or*
22 *cancellation of, a retirement benefit, disability benefit, or*
23 *termination benefit; and under either the Defined*
24 *Benefit Program or the Defined Benefit Supplement*
25 *Program* on any other requests related to the selection of
26 benefits by a member in which a spousal interest may be
27 present, unless the member declares, in writing, under
28 penalty of perjury, that one of the following conditions
29 exists:

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

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

36 *(1) The member is not married.*

37 *(2) The current spouse has no identifiable community*
38 *property interest in the benefit.*

39 *(3) The member and spouse have executed a marriage*
40 *settlement agreement pursuant to Part 5 (commencing*



1 with Section 1500) of Division 4 of the Family Code that
 2 makes the community property law inapplicable to the
 3 marriage.

4 ~~(4) The member is not married.~~

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

7 *(4) The spouse is incapable of executing the*
 8 *acknowledgment because of an incapacitating mental or*
 9 *physical condition.*

10 *(5) The member does not know, and has taken all*
 11 *reasonable steps to determine, the whereabouts of the*
 12 *spouse.*

13 (b) This section ~~is not~~ shall not be applicable to an
 14 application for a disability allowance under the Defined
 15 Benefit Program.

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

19 ~~SEC. 37.~~

20 *SEC. 16.* Section 22460 of the Education Code is
 21 repealed.

22 ~~SEC. 38.~~

23 *SEC. 17.* Section 22460 is added to the Education
 24 Code, to read:

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

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

37 (2) The current rate of interest that shall be earned on
 38 accumulated retirement contributions that are not
 39 refunded and the current minimum interest rate that



1 shall be applied to ~~the balance of credits in~~ the member's
2 Defined Benefit Supplement account.

3 (3) Actions that may be taken by the board if
4 accumulated retirement contributions are not refunded
5 *under the Defined Benefit Program* and ~~the balance of~~
6 ~~credits in~~ the member's Defined Benefit Supplement
7 account *balance* is not returned.

8 (b) Employers shall transmit to a member who
9 terminates employment with less than five years of
10 credited service the information specified in subdivision
11 (a) as part of the usual separation documents.

12 ~~SEC. 39.~~

13 *SEC. 18.* Section 22651 of the Education Code is
14 amended to read:

15 22651. For purposes of this chapter and Section 23300,
16 "nonmember spouse" means a member's spouse or
17 former spouse who is being or has been awarded a
18 community property interest in the service credit,
19 accumulated retirement contributions, accumulated
20 Defined Benefit Supplement account balance, or benefits
21 of the member under this part. A ~~nonmember spouse who~~
22 ~~is awarded a separate account of service credit and~~
23 ~~accumulated retirement contributions, who is awarded a~~
24 ~~separate account based on the balance of credits in the~~
25 ~~member's Defined Benefit Supplement account, who~~
26 ~~receives a retirement allowance or retirement annuity~~
27 ~~under this part, or who is awarded an interest in a~~
28 ~~member's retirement allowance or retirement annuity~~
29 ~~under this part is not a member.~~ *nonmember spouse shall*
30 *not be considered a member based upon his or her*
31 *receipt of any of the following being awarded to the*
32 *nonmember spouse as a result of legal separation or*
33 *dissolution of marriage: a separate account of service*
34 *credit and accumulated retirement contributions, a*
35 *retirement allowance, or an interest in the member's*
36 *retirement allowance under the Defined Benefit*
37 *Program; or a separate account based on the member's*
38 *Defined Benefit Supplement account balance, a*
39 *retirement benefit, or an interest in the member's*



1 *retirement benefit under the Defined Benefit*
2 *Supplement Program.*

3 ~~SEC. 40.~~

4 *SEC. 19.* Section 22652 of the Education Code is
5 amended to read:

6 22652. (a) Upon the legal separation or dissolution of
7 marriage of a member, other than a retired member, the
8 court shall include in the judgment or a court order the
9 date on which the parties separated.

10 (b) The court may order in the judgment or court
11 order that the *member's* accumulated retirement
12 contributions and ~~service credit or an amount equal to~~
13 ~~the balance of credits in service credit under the Defined~~
14 ~~Benefit Program or~~ the member's Defined Benefit
15 Supplement account *balance, or both,* under this part
16 that are attributable to periods of service during the
17 marriage be divided into two separate and distinct
18 accounts in the name of the member and the nonmember
19 spouse, respectively. Any service credit ~~or~~ *and*
20 accumulated retirement contributions ~~or an amount~~
21 ~~equal to the balance of credits in the member's Defined~~
22 ~~under the Defined Benefit Program and any~~
23 ~~accumulated Defined Benefit Supplement account~~
24 ~~balance~~ under this part that are not explicitly awarded by
25 the judgment or court order shall be deemed the
26 exclusive property of the member under the Defined
27 Benefit Program or the Defined Benefit Supplement
28 Program, *whichever is applicable.*

29 (c) The determination of the court of community
30 property rights pursuant to this section shall be consistent
31 with this chapter and shall address the rights of the
32 nonmember spouse under this part, including, but not
33 limited to, the following:

34 (1) The right to a retirement allowance *under the*
35 *Defined Benefit Program* and, if applicable, a retirement
36 ~~annuity benefit under the Defined Benefit Supplement~~
37 ~~Program.~~

38 (2) The right to a refund of accumulated retirement
39 ~~contributions and the lump-sum payment of an amount~~
40 ~~equal to the balance of credits in the member's Defined~~



1 ~~Benefit Supplement account that was awarded to the~~
2 *contributions and the return of the accumulated Defined*
3 *Benefit Supplement account balance that were awarded*
4 *to the nonmember spouse.*

5 (3) The right to redeposit accumulated retirement
6 contributions previously refunded to the member which
7 the member is eligible to redeposit pursuant to Sections
8 23200 to 23203, inclusive, and shall specify the shares of
9 the redeposit amount awarded to the member and the
10 nonmember spouse.

11 (4) The right to purchase additional service credit that
12 the member is eligible to purchase pursuant to Sections
13 22800 to 22810, inclusive, and shall specify the shares of
14 the additional service credit awarded to the member and
15 the nonmember spouse.

16 ~~SEC. 41.~~

17 *SEC. 19.5. Section 22652 of the Education Code is*
18 *amended to read:*

19 22652. (a) Upon the legal separation or dissolution of
20 marriage of a member, *other than a retired member*, the
21 court shall include in the judgment or a court order the
22 date on which the parties separated.

23 (b) The court may order in the judgment or court
24 order that the *member's* accumulated retirement
25 contributions and service credit *under the Defined*
26 *Benefit Program, or the member's Defined Benefit*
27 *Supplement account balance, or both*, under this part
28 that are attributable to periods of service during the
29 marriage be divided into two separate and distinct
30 accounts in the name of the member and the nonmember
31 spouse, respectively. Any service credit—~~or~~ *and*
32 accumulated retirement contributions *under the*
33 *Defined Benefit Program and any accumulated Defined*
34 *Benefit Supplement account balance* under this part that
35 are not explicitly awarded by the judgment or court order
36 shall be deemed the exclusive property of the member—~~in~~
37 *under the Defined Benefit Program or the Defined*
38 *Benefit Supplement Program, as applicable.*

39 (c) The determination of the court of community
40 property rights pursuant to this section shall be consistent



1 with this chapter and shall address the rights of the
2 nonmember spouse *under this part*, including, but not
3 limited to, the following:

4 (1) The right to a retirement allowance ~~under this part~~
5 *the Defined Benefit Program and, if applicable, a*
6 *retirement benefit under the Defined Benefit*
7 *Supplement Program.*

8 (2) The right to a refund of accumulated retirement
9 contributions ~~under this part~~ *the Defined Benefit*
10 *Program and the return of the accumulated Defined*
11 *Benefit Supplement account balance that were awarded*
12 *to the nonmember spouse.*

13 (3) The right to redeposit *all or a portion of*
14 *accumulated retirement contributions previously*
15 *refunded to the member which* ~~are the member is~~
16 *eligible for to redeposit under this part by the member*
17 ~~under pursuant to~~ Sections 23200 to 23203, inclusive, and
18 *shall specify the shares of the redeposit amount awarded*
19 *to the member and the nonmember spouse of the eligible*
20 *redeposit amount.*

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

28 *SEC. 20.* Section 22655 of the Education Code is
29 amended to read:

30 22655. (a) Upon the legal separation or dissolution of
31 marriage of a retired member, the court may include in
32 the judgment or court order a determination of the
33 community property rights of the parties in the retired
34 member's retirement allowance and, if applicable,
35 retirement ~~annuity~~ *benefit* under this part consistent
36 with this section. Upon election under subparagraph (B)
37 of paragraph (3) of subdivision (a) of Section 2610 of the
38 Family Code, the court order awarding the nonmember
39 spouse a community property share in the retirement



1 allowance or retirement ~~annuity~~ *benefit*, or both, of a
2 retired member shall be consistent with this section.

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

13 (c) If the court does not award the entire retirement
14 allowance or retirement ~~annuity~~ *benefit* under this part
15 to the retired member and the retired member is
16 receiving an allowance that has been actuarially modified
17 pursuant to Section 24300, or a joint and survivor ~~annuity~~
18 *retirement benefit* pursuant to Section 25011 or 25018, the
19 court shall order only one of the following:

20 (1) The retired member shall maintain the retirement
21 allowance or retirement ~~annuity~~ *benefit*, or both, under
22 this part without change.

23 (2) The retired member shall cancel the option that
24 modified the retirement allowance under this part
25 pursuant to Section 24305 and select a new joint and
26 survivor option or a new beneficiary or both, and the
27 system shall pay the nonmember spouse, by separate
28 warrant, his or her community property share of the
29 retirement allowance under this part of the retired
30 member, the option beneficiary, or both.

31 (3) The retired member shall cancel the joint and
32 survivor annuity under which the annuity is being paid
33 pursuant to Section ~~24305.5~~ 24305.3, and select a new joint
34 and survivor annuity or a new annuity beneficiary or
35 both, *based on the actuarial equivalent of the member's*
36 *canceled annuity*, and the system shall pay the
37 nonmember spouse, by separate warrant, his or her
38 community property share of the retirement annuity
39 payable to the retired member, the annuity beneficiary,
40 or both.



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

3 (5) The retired member shall cancel the option that
4 modified the retirement allowance under this part
5 pursuant to Section 24305 and select an unmodified
6 retirement allowance and the system shall pay the
7 nonmember spouse, by separate warrant, his or her
8 community property share of the retired member's
9 retirement allowance under this part.

10 (6) The retired member shall cancel, *pursuant to*
11 *Section 24305.3*, the joint and survivor annuity under
12 which the ~~annuity is being paid pursuant to Section~~
13 ~~24305.5~~ *retirement benefit is being paid*, and select a
14 single life annuity, and the system shall pay the
15 nonmember spouse, by separate warrant, his or her
16 community property share of the retirement ~~annuity~~
17 *benefit* payable benefit to the retired member.

18 (7) The retired member shall take the action specified
19 in both paragraphs (5) and (6).

20 (d) If the option beneficiary or annuity beneficiary or
21 both under this part, other than the nonmember spouse,
22 predeceases the retired member, the court shall order
23 the retired member to select a new option beneficiary
24 pursuant to Section 24306, or a new annuity beneficiary
25 pursuant to Section 24305.3 and shall order the system to
26 pay the nonmember spouse, by separate warrant, his or
27 her share of the community property interest in the
28 retirement allowance or retirement ~~annuity~~ *benefit* or
29 both under this part of the retired member or the new
30 option beneficiary or annuity beneficiary or each of them.

31 (e) The right of the nonmember spouse to receive his
32 or her community property share of the retired
33 member's retirement allowance or retirement ~~annuity~~
34 *benefit* or both under this section shall terminate upon
35 the death of the nonmember spouse. However, the
36 nonmember spouse may designate a beneficiary under
37 the Defined Benefit Program and a payee under the
38 Defined Benefit Supplement Program to receive his or
39 her community property share of the retired member's
40 accumulated retirement contributions and accumulated



1 Defined Benefit Supplement account balance under this
2 part in the event that there are remaining accumulated
3 retirement contributions and a balance of credits in the
4 member's Defined Benefit Supplement account to be
5 paid upon the death of the nonmember spouse.

6 ~~SEC. 41.~~

7 *SEC. 21.* Section 22656 of the Education Code is
8 amended to read:

9 22656. No judgment or court order issued pursuant to
10 this chapter is binding on the system with respect to the
11 Defined Benefit Program or the Defined Benefit
12 Supplement Program until the system has been joined as
13 a party to the action and has been served with a certified
14 copy of the judgment or court order.

15 ~~SEC. 43.~~ Section 22658 of the Education Code is
16 amended to read:

17 22658. (a) ~~A separate account awarded to a~~
18 ~~nonmember spouse pursuant to Section 22652 shall be~~
19 ~~administered independently of the member's account.~~

20 (b) ~~An accumulated Defined Benefit Supplement~~
21 ~~account balance, accumulated retirement contributions,~~
22 ~~service credit, and final compensation attributable to a~~
23 ~~separate account of a nonmember spouse under this part~~
24 ~~shall not be combined in any way or for any purpose with~~
25 ~~the accumulated Defined Benefit Supplement account~~
26 ~~balance, accumulated retirement contributions, service~~
27 ~~credit, and final compensation of any other separate~~
28 ~~account of the nonmember spouse.~~

29 (c) ~~An accumulated Defined Benefit Supplement~~
30 ~~account balance, accumulated retirement contributions,~~
31 ~~service credit, and final compensation attributable to the~~
32 ~~separate account of a nonmember spouse shall not be~~
33 ~~combined in any way or for any purpose with the~~
34 ~~accumulated Defined Benefit Supplement account~~
35 ~~balance, accumulated retirement contributions, service~~
36 ~~credit, and final compensation of an account that exists~~
37 ~~under this part because the nonmember spouse is~~
38 ~~employed or has been employed to perform creditable~~
39 ~~service subject to coverage under the Defined Benefit~~
40 ~~Program or the Defined Benefit Supplement Program.~~



1 ~~SEC. 44.~~

2 *SEC. 22.* Section 22659 of the Education Code is
3 amended to read:

4 22659. Upon being awarded a separate account or an
5 interest in the retirement allowance or retirement
6 ~~annuity benefit~~ of a retired member under this part, a
7 nonmember spouse shall provide the system with proof
8 of his or her date of birth, social security number, and any
9 other information requested by the system, in the form
10 and manner requested by the system.

11 ~~SEC. 45.~~

12 *SEC. 23.* Section 22660 of the Education Code is
13 amended to read:

14 22660. (a) The nonmember spouse who is awarded a
15 separate account under this part shall have the right to
16 designate, pursuant to Sections 23300 to 23304, inclusive,
17 a beneficiary or beneficiaries to receive the accumulated
18 retirement contributions under the Defined Benefit
19 Program and to designate a payee to receive the
20 accumulated Defined Benefit Supplement account
21 balance under the Defined Benefit Supplement Program
22 remaining in the separate account of the nonmember
23 spouse on his or her date of death, and any accrued
24 allowance or accrued *benefit under the* Defined Benefit
25 Supplement ~~annuity under this part that is~~ attributable
26 to the separate account of the nonmember spouse ~~which~~
27 *and that* is unpaid on the date of the death of the
28 nonmember spouse.

29 (b) This section shall not be construed to provide the
30 nonmember spouse with any right to elect to modify a
31 retirement allowance under Section 24300 or to elect a
32 joint and survivor annuity under the Defined Benefit
33 Supplement Program.

34 ~~SEC. 46.~~

35 *SEC. 24.* Section 22661 of the Education Code is
36 amended to read:

37 22661. (a) The nonmember spouse who is awarded a
38 separate account under this part shall have the right to a
39 refund of the accumulated retirement contributions in
40 the account, ~~and a lump sum payment of the balance of~~



1 ~~credits in~~ account under the Defined Benefit Program,
2 and a return of the Defined Benefit Supplement account
3 balance, of the nonmember spouse under this part.

4 (b) The nonmember spouse shall file an application on
5 a form provided by the system to obtain a refund or
6 lump-sum payment.

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

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

32 (e) The nonmember spouse may not cancel a refund
33 or lump-sum payment under this part after it is effective.

34 (f) The nonmember spouse shall ~~have no~~ not have a
35 right to elect to redeposit the refunded accumulated
36 retirement contributions under this part after the refund
37 is effective, to redeposit under Section 22662 or purchase
38 additional service credit under Section 22663 after the
39 refund becomes effective, or to redeposit the



1 accumulated Defined Benefit Supplement account
2 balance after the lump-sum payment becomes effective.

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

9 ~~SEC. 47.~~

10 *SEC. 25.* Section 22662 of the Education Code is
11 amended to read:

12 22662. The nonmember spouse who is awarded a
13 separate account under ~~this part~~ *the Defined Benefit*
14 *Program* may redeposit accumulated retirement
15 contributions previously refunded to the member in
16 accordance with the determination of the court pursuant
17 to Section 22652.

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

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

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

39 (d) An election to redeposit shall be considered an
40 election to repay all accumulated retirement



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

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

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

21 ~~SEC. 48.~~

22 *SEC. 25.5. Section 22662 of the Education Code is*
23 *amended to read:*

24 22662. The nonmember spouse who is awarded a
25 separate account under ~~this part~~ *the Defined Benefit*
26 *Program* may redeposit accumulated retirement
27 contributions previously refunded to the member in
28 accordance with the determination of the court pursuant
29 to Section 22652.

30 (a) The nonmember spouse may redeposit under ~~this~~
31 ~~part~~ *the Defined Benefit Program* only those
32 accumulated retirement contributions that were
33 previously refunded to the member and in which the
34 court has determined the nonmember spouse has a
35 community property interest.

36 (b) The nonmember spouse shall inform the system in
37 writing of his or her intent to redeposit within 180 days
38 after the judgment or court order ~~addressing that~~
39 *specifies* the redeposit rights of the nonmember spouse is
40 entered. The nonmember ~~spouse shall elect~~ *spouses'*



1 *election to redeposit shall be made* on a form provided by
2 the system within 30 days after the system mails an
3 election form and the billing.

4 (c) If the nonmember spouse elects to redeposit under
5 ~~this part the Defined Benefit Program~~, he or she shall
6 repay ~~the all or a portion of the member's refunded~~
7 accumulated retirement contributions ~~that were~~
8 *awarded to the nonmember spouse* and shall pay regular
9 interest from the date of the refund to the date of
10 *payment of the redeposit is completed*.

11 ~~(d) An election to redeposit shall be considered an~~
12 ~~election to repay all accumulated retirement~~
13 ~~contributions previously refunded under this part in~~
14 ~~which the nonmember spouse has a community property~~
15 ~~interest.~~ All payments shall be received by the system
16 before the effective date of ~~retirement~~ of the
17 nonmember ~~spouse~~ *spouse's retirement* under this part.
18 If any payment due because of the election is not received
19 at the system's office in Sacramento within 120 days of its
20 due date, the election shall be canceled and any payments
21 made under the election shall be returned to the
22 nonmember spouse.

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

25 (f) The member shall not have a right to redeposit the
26 share of the nonmember spouse in the previously
27 refunded accumulated retirement contributions under
28 this part whether or not the nonmember spouse elects to
29 redeposit. However, any accumulated retirement
30 contributions previously refunded under this part and
31 not explicitly awarded to the nonmember spouse under
32 this part by the judgment or court order shall be deemed
33 the exclusive property of the member.

34 *SEC. 26.* Section 22664 of the Education Code is
35 amended to read:

36 22664. The nonmember spouse who is awarded a
37 separate account shall have the right to a service
38 retirement allowance and, if applicable, a retirement
39 ~~annuity~~ *benefit* under this part.



1 (a) The nonmember spouse shall be eligible to retire
2 for service under this part if the following conditions are
3 satisfied:

4 (1) The member had at least five years of credited
5 service during the period of marriage, at least one year of
6 which had been performed subsequent to the most
7 recent refund to the member of accumulated retirement
8 contributions. The credited service may include service
9 credited to the account of the member as of the date of
10 the dissolution or legal separation, previously refunded
11 service, out-of-state service, and permissive service credit
12 that the member is eligible to purchase at the time of the
13 dissolution or legal separation.

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

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

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

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

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

27 (3) The effective date is no earlier than the first day of
28 the month in which the application is received at the
29 system's office in Sacramento and the effective date is
30 after the date the judgment or court order pursuant to
31 Section 22652 was entered.

32 (c) (1) Upon service retirement at normal
33 retirement age under this part, the nonmember spouse
34 shall receive a retirement allowance that shall consist of
35 an annual allowance payable in monthly installments
36 equal to 2 percent of final compensation for each year of
37 credited service.

38 (2) If the nonmember spouse's retirement is effective
39 at less than normal retirement age and between early
40 retirement age under this part and normal retirement



1 age, the retirement allowance shall be reduced by
2 one-half of 1 percent for each full month, or fraction of a
3 month, that will elapse until the nonmember spouse
4 would have reached normal retirement age.

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

10

11 Age at Retirement	Percentage
12 60 1/4	2.033
13 60 1/2	2.067
14 60 3/4	2.10
15 61	2.133
16 61 1/4	2.167
17 61 1/2	2.20
18 61 3/4	2.233
19 62	2.267
20 62 1/4	2.30
21 62 1/2	2.333
22 62 3/4	2.367
23 63 and over	2.40

24

25 (4) In computing the retirement allowance of the
26 nonmember spouse, the age of the nonmember spouse on
27 the last day of the month in which the retirement
28 allowance begins to accrue shall be used.

29 (5) Final compensation, for purposes of calculating the
30 service retirement allowance of the nonmember spouse
31 under this subdivision, shall be calculated according to
32 the definition of final compensation in Section 22134,
33 22135, or 22136, whichever is applicable, and shall be
34 based on the ~~compensation earnable of the member~~
35 *member's compensation earnable* up to the date the
36 parties separated, as established in the judgment or court
37 order pursuant to Section 22652. The nonmember spouse
38 shall not be entitled to use any other calculation of final
39 compensation.



1 (d) If the member is or was receiving a disability
2 allowance under this part with an effective date before or
3 on the date the parties separated as established in the
4 judgment or court order pursuant to Section 22652, or at
5 any time applies for and receives a disability allowance
6 with an effective date that is before or coincides with the
7 date the parties separated as established in the judgment
8 or court order pursuant to Section 22652, the nonmember
9 spouse shall not be eligible to retire until after the
10 disability allowance of the member terminates. If the
11 member who is or was receiving a disability allowance
12 returns to employment to perform creditable service
13 subject to coverage under the Defined Benefit Program
14 or has his or her allowance terminated under Section
15 24015, the nonmember spouse may not be paid a
16 retirement allowance until at least six months after
17 termination of the disability allowance and the return of
18 the member to employment to perform creditable
19 service subject to coverage under the Defined Benefit
20 Program, or the termination of the disability allowance
21 and the employment or self-employment of the member
22 in any capacity, notwithstanding Section 22132. If at the
23 end of the six-month period, the member has not had a
24 recurrence of the original disability or has not had his or
25 her earnings fall below the amounts described in Section
26 24015, the nonmember spouse may be paid a retirement
27 allowance if all other eligibility requirements are met.

28 (1) The retirement allowance of the nonmember
29 spouse under this subdivision shall be calculated as
30 follows: the disability allowance the member was
31 receiving, exclusive of the portion for dependent
32 children, shall be divided between the share of the
33 member and the share of the nonmember spouse. The
34 share of the nonmember spouse shall be the amount
35 obtained by multiplying the disability allowance,
36 exclusive of the portion for dependent children, by the
37 years of service credited to the separate account of the
38 nonmember spouse, including service projected to the
39 date of separation, and dividing by the projected service
40 of the member. The nonmember spouse's retirement



1 allowance shall be the lesser of the share of the
2 nonmember spouse under this subdivision or the
3 retirement allowance under subdivision (c).

4 (2) The share of the member shall be the total
5 disability allowance reduced by the share of the
6 nonmember spouse. The share of the member shall be
7 considered the disability allowance of the member for
8 purposes of Section 24213.

9 (e) The nonmember spouse who receives a
10 retirement allowance is not a retired member under this
11 part. However, the allowance of the nonmember spouse
12 shall be increased by application of the improvement
13 factor and shall be eligible for the application of
14 supplemental increases and other benefit maintenance
15 provisions under this part, including, but not limited to,
16 Sections 24411, 24412, and 24415 based on the same
17 criteria used for the application of these benefit
18 maintenance increases to the service retirement
19 allowances of members.

20 ~~SEC. 49. Section 22665 of the Education Code is~~
21 ~~amended to read:~~

22 ~~22665. The system shall include the service credit~~
23 ~~awarded to a nonmember spouse in the judgment or~~
24 ~~court order to determine the eligibility of a member for~~
25 ~~a retirement or disability allowance under this part. That~~
26 ~~portion of awarded service credit based on previously~~
27 ~~refunded accumulated retirement contributions or on~~
28 ~~permissive service credit may not be used by the member~~
29 ~~for eligibility requirements until the member has~~
30 ~~redeposited or purchased his or her portion of the service~~
31 ~~credit. The member's service retirement allowance shall~~
32 ~~be calculated based on the service credit in the member's~~
33 ~~account on the effective date of service retirement.~~

34 ~~SEC. 50.~~

35 ~~SEC. 27. Section 22703 of the Education Code is~~
36 ~~amended to read:~~

37 ~~22703. (a) Service shall be credited to the Defined~~
38 ~~Benefit Program, except as provided in subdivision (b).~~

39 ~~(b) A member's creditable service that exceeds 1.000~~
40 ~~in a school year shall not be credited to the Defined~~



1 Benefit Program. Commencing July 1, 2002,
 2 contributions by the employer *that are deposited in the*
 3 *Teachers' Retirement Fund* and the member on
 4 creditable compensation paid to the member for that
 5 service, exclusive of contributions pursuant to Section
 6 22951, shall be credited to the Defined Benefit
 7 Supplement Program.

8 (c) In lieu of any other benefits provided by this part,
 9 any member who performed service prior to July 1, 1956,
 10 shall receive retirement benefits for that service at least
 11 equal to the benefits that the member would have
 12 received for that service under the provisions of this part
 13 as they existed on June 30, 1956. This subdivision shall not
 14 apply to service that is credited in the San Francisco City
 15 and County Employees Retirement System.

16 (d) *The amendments to this section made during the*
 17 *second year of the 1999–2000 Regular Session shall*
 18 *become operative on July 1, 2002, if the revenue limit*
 19 *cost-of-living adjustment computed by the*
 20 *Superintendent of Public Instruction for the 2001–02*
 21 *fiscal year is equal to or greater than 3.5 percent.*
 22 *Otherwise the amendments to this section made during*
 23 *the second year of the 1999–2000 Regular Session shall*
 24 *become operative on July 1, 2003.*

25 ~~SEC. 51.~~

26 SEC. 28. Section 22706 of the Education Code is
 27 amended to read:

28 22706. A member shall not receive credit for service
 29 performed while receiving a retirement or disability
 30 allowance under the Defined Benefit Program or while
 31 receiving a retirement or disability—~~annuity~~ *benefit* under
 32 the Defined Benefit Supplement Program.

33 ~~SEC. 52.~~

34 SEC. 29. *Section 22901.5 of the Education Code, as*
 35 *added by Chapter 74 of the Statutes of 2000, is amended*
 36 *to read:*

37 22901.5. (a) Notwithstanding Section 22905, 25
 38 percent of the—~~member's—contribution~~ *amount*
 39 *contributed by a member* pursuant to Section 22901 (2
 40 percent of creditable compensation) shall be credited to



1 the member's Defined Benefit Supplement account
 2 pursuant to Section 25004.

3 (b) *Any member contributions for service performed*
 4 *during the 2000-01 school year with a service period*
 5 *ending after December 31, 2000, shall be subject to*
 6 *subdivision (a).*

7 (c) This section shall remain in effect only until
 8 January 1, 2011, and as of that date is repealed, unless a
 9 later enacted statute, that is enacted before January 1,
 10 2011, deletes or extends that date.

11 *SEC. 30.* Section 22905 of the Education Code is
 12 amended to read:

13 22905. (a) Contributions made by a member and
 14 member contributions made by an employer pursuant to
 15 Section 22903 and 22904 shall be credited by the board to
 16 the individual account of the member.

17 (b) This section shall become inoperative on July 1,
 18 2002, ~~and, as of January 1, 2003, if the revenue limit~~
 19 *cost-of-living adjustment computed by the*
 20 *Superintendent of Public Instruction for the 2001-02*
 21 *fiscal year is equal to or greater than 3.5 percent.*
 22 *Otherwise this section shall become inoperative on July*
 23 *1, 2003. As of January 1, 2004, this section is repealed,*
 24 unless a later enacted statute, that becomes operative on
 25 or before January 1, ~~2003~~ 2004, deletes or extends the
 26 dates on which it becomes inoperative and is repealed.

27 ~~SEC. 53.~~

28 *SEC. 31.* Section 22905 is added to the Education
 29 Code, to read:

30 22905. (a) Member contributions pursuant to
 31 Section 22901 and employer contributions pursuant to
 32 Sections 22903 and 22904 shall be credited to the
 33 member's individual account under the Defined Benefit
 34 Program or the Defined Benefit Supplement Program,
 35 whichever is applicable pursuant to the provisions of this
 36 part.

37 (b) Member and employer contributions on a
 38 member's compensation under the following
 39 circumstances shall be credited to the member's Defined
 40 Benefit Supplement account:



1 (1) Compensation for creditable service that exceeds
2 one year in a school year.

3 (2) Compensation that is consistent with subdivision
4 (b) of Section 22119.2.

5 ~~(3) Compensation that is a one-time payment~~
6 ~~pursuant to law, a collective bargaining agreement or~~
7 ~~employment agreement including, but not limited to,~~
8 ~~payments based on national board certification.~~

9 *(3) Compensation that is payable for a specified*
10 *number of times as limited by law, a collective bargaining*
11 *agreement, or an employment agreement.*

12 (c) A member shall not make voluntary pretax or
13 posttax contributions under the Defined Benefit
14 Supplement Program, except as provided in subdivision
15 (d), nor shall a member redeposit amounts previously
16 distributed based on the balance in the member's
17 Defined Benefit Supplement account.

18 (d) Member and employer contributions under the
19 Defined Benefit Supplement Program shall be credited
20 to the accounts of members as of June 30 each year
21 following a determination by the system under the
22 provisions of this part that those contributions should be
23 credited to the Defined Benefit Supplement Program.
24 Contributions to a member's Defined Benefit
25 Supplement account shall be identified separately from
26 the member's contributions credited under the Defined
27 Benefit Program.

28 (e) The provisions of this section shall become
29 operative on July 1, 2002, *if the revenue limit*
30 *cost-of-living adjustment computed by the*
31 *Superintendent of Public Instruction for the 2001-02*
32 *fiscal year is equal to or greater than 3.5 percent.*
33 *Otherwise this section shall become operative on July 1,*
34 *2003.*

35 ~~SEC. 54.~~

36 ~~SEC. 32.~~ Section 22906 of the Education Code is
37 repealed.

38 ~~SEC. 55.~~

39 ~~SEC. 33.~~ Section 22906 is added to the Education
40 Code, to read:



1 22906. A member's ~~accumulated~~ retirement
 2 contributions that were made with respect to service that
 3 was erroneously credited under the Defined Benefit
 4 Program shall be returned to the member if the
 5 contributions for that service cannot be credited under
 6 the Defined Benefit Supplement Program pursuant to
 7 this part.

8 ~~SEC. 56.~~

9 SEC. 34. Section 22954 of the Education Code is
 10 amended to read:

11 22954. (a) Notwithstanding Section 13340 of the
 12 Government Code, commencing July 1, 1999, a
 13 continuous appropriation is hereby annually made from
 14 the General Fund to the Controller, pursuant to this
 15 section, for transfer to the Supplemental Benefit
 16 Maintenance Account in the Teachers' Retirement Fund.
 17 The total amount of the appropriation for each year shall
 18 be equal to 2.5 percent of the total of the creditable
 19 compensation of the ~~plan year ending in the~~ immediately
 20 preceding calendar year upon which members'
 21 contributions are based for purposes of funding the
 22 supplemental payments authorized by Section 24415.

23 (b) The board may deduct from the annual
 24 appropriation made pursuant to this section an amount
 25 necessary for the administrative expenses of Section
 26 24415.

27 (c) It is the intent of the Legislature in enacting this
 28 section to establish the supplemental payments pursuant
 29 to Section 24415 as vested benefits pursuant to a
 30 contractually enforceable promise to make annual
 31 contributions from the General Fund to the
 32 Supplemental Benefit Maintenance Account in the
 33 Teachers' Retirement Fund in order to provide a
 34 continuous annual source of revenue for the purposes of
 35 making the supplemental payments under Section 24415.

36 (d) This section shall become inoperative on July 1,
 37 2003, ~~and as of January 1, 2004, if the revenue limit~~
 38 ~~cost-of-living adjustment computed by the~~
 39 ~~Superintendent of Public Instruction for the 2001-02~~
 40 ~~fiscal year is equal to or greater than 3.5 percent.~~



1 *Otherwise this section shall become inoperative on July*
2 *1, 2004. As of January 1, 2005, this section is repealed unless*
3 *a later enacted statute, that becomes effective on or*
4 *before January 1, ~~2004~~ 2005, deleted or extends the date*
5 *on which it becomes inoperative and is repealed.*

6 ~~SEC. 57.~~

7 SEC. 35. Section 22954 is added to the Education
8 Code, to read:

9 22954. (a) Notwithstanding Section 13340 of the
10 Government Code, commencing July 1, ~~1999~~ 2003, a
11 continuous appropriation is hereby annually made from
12 the General Fund to the Controller, pursuant to this
13 section, for transfer to the Supplemental Benefit
14 Maintenance Account in the Teachers' Retirement Fund.
15 The total amount of the appropriation for each year shall
16 be equal to 2.5 percent of the total of the creditable
17 compensation of the ~~plan~~ *fiscal* year ending in the
18 immediately preceding calendar year upon which
19 members' contributions are based for purposes of funding
20 the supplemental payments authorized by Section 24415.

21 (b) The board may deduct from the annual
22 appropriation made pursuant to this section an amount
23 necessary for the administrative expenses of Section
24 24415.

25 (c) It is the intent of the Legislature in enacting this
26 section to establish the supplemental payments pursuant
27 to Section 24415 as vested benefits pursuant to a
28 contractually enforceable promise to make annual
29 contributions from the General Fund to the
30 Supplemental Benefit Maintenance Account in the
31 Teachers' Retirement Fund in order to provide a
32 continuous annual source of revenue for the purposes of
33 making the supplemental payments under Section 24415.

34 (d) This section shall become operative on July 1, 2003,
35 *if the revenue limit cost-of-living adjustment computed*
36 *by the Superintendent of Public Instruction for the*
37 *2001-02 fiscal year is equal to or greater than 3.5 percent.*
38 *Otherwise this section shall become operative on July 1,*
39 *2004.*

40 ~~SEC. 58.~~



1 SEC. 36. Section 22955 of the Education Code is
2 amended to read:

3 22955. (a) Notwithstanding Section 13340 of the
4 Government Code, commencing July 1, ~~1999~~ 2001, a
5 continuous appropriation is hereby annually made from
6 the General Fund to the Controller, pursuant to this
7 section, for transfer to the Teachers' Retirement Fund.
8 The total amount of the appropriation for each year shall
9 be equal to ~~3.102~~ 1.975 percent of the total of the
10 creditable compensation of the ~~plan year ending in the~~
11 immediately preceding calendar year upon which
12 members' contributions are based, to be calculated
13 annually on October 1, and shall be divided into four
14 equal quarterly payments. *For the 2000-01 fiscal year*
15 *only, the total amount of the appropriation pursuant to*
16 *this subdivision shall be equal to 2.5385 percent of the*
17 *total of the creditable compensation of calendar year*
18 *1999.*

19 (b) Notwithstanding Section 13340 of the
20 Government Code, commencing October 1, 1998, a
21 continuous appropriation, in addition to the
22 appropriation made by subdivision (a), is hereby
23 annually made from the General Fund to the Controller
24 for transfer to the Teachers' Retirement Fund. The total
25 amount of the appropriation for each year shall be equal
26 to 0.524 percent of the total of the creditable
27 compensation of the ~~plan year ending in the~~ immediately
28 preceding calendar year upon which members'
29 contributions are based, to be calculated annually on
30 October 1, and shall be divided into four equal quarterly
31 payments. The percentage shall be adjusted to reflect the
32 contribution required to fund the normal cost deficit or
33 the unfunded obligation as determined by the board
34 based upon a recommendation from its actuary. If a rate
35 increase is required, the adjustment may be for no more
36 than 0.25 percent per year and in no case may the transfer
37 made pursuant to this subdivision exceed 1.505 percent of
38 the total of the creditable compensation of the ~~plan year~~
39 ~~ending in the~~ immediately preceding calendar year upon
40 which members' contributions are based. At any time



1 when there is neither an unfunded obligation nor a
2 normal cost deficit, the percentage shall be reduced to
3 zero.

4 The funds transferred pursuant to this subdivision shall
5 first be applied to eliminating on or before June 30, 2027,
6 the unfunded actuarial liability of the fund identified in
7 the actuarial valuation as of June 30, 1997.

8 (c) For the purposes of this section, the term “normal
9 cost deficit” means the difference between the normal
10 cost rate as determined in the actuarial valuation
11 required by Section 22311 and the total of the member
12 contribution rate required under Section 22901 and the
13 employer contribution rate required under Section
14 22950, and shall exclude (1) the portion for unused sick
15 leave service credit granted pursuant to Section 22717,
16 and (2) the cost of benefit increases that occur after July
17 1, 1990. The contribution rates prescribed in Section
18 22901 and Section 22950 on July 1, 1990, shall be utilized
19 to make the calculations. The normal cost deficit shall
20 then be multiplied by the total of the creditable
21 compensation upon which member contributions under
22 this part are based to determine the dollar amount of the
23 normal cost deficit for the year.

24 (d) Pursuant to Section 22001 and case law, members
25 are entitled to a financially sound retirement system. It is
26 the intent of the Legislature that this section shall provide
27 the retirement fund stable and full funding over the long
28 term.

29 (e) This section continues in effect but in a somewhat
30 different form, fully performs, and does not in any way
31 unreasonably impair, the contractual obligations
32 determined by the court in *California Teachers’*
33 *Association v. Cory*, 155 Cal.App.3d 494.

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

38 (g) The amendments to this section during the
39 1991–92 Regular Session shall be construed and
40 implemented to be in conformity with the judicial intent



1 expressed by the court in California Teachers' Association
2 v. Cory, 155 Cal.App.3d 494.

3 (h) This section shall become inoperative on July 1,
4 2003, ~~and as of January 1, 2004, if the revenue limit~~
5 ~~cost-of-living adjustment computed by the~~
6 ~~Superintendent of Public Instruction for the 2001-02~~
7 ~~fiscal year is equal to or greater than 3.5 percent.~~
8 ~~Otherwise this section shall become inoperative on July~~
9 ~~1, 2004. As of January 1, 2005, this section is repealed unless~~
10 a later enacted statute, that becomes effective on or
11 before January 1, ~~2004~~ 2005, deletes or extends the date
12 on which it becomes inoperative and is repealed.

13 ~~SEC. 59.~~

14 SEC. 37. Section 22955 is added to the Education
15 Code, to read:

16 22955. (a) Notwithstanding Section 13340 of the
17 Government Code, commencing July 1, 2003, a
18 continuous appropriation is hereby annually made from
19 the General Fund to the Controller, pursuant to this
20 section, for transfer to the Teachers' Retirement Fund.
21 The total amount of the appropriation for each year shall
22 be equal to ~~3.102~~ 2.017 percent of the total of the
23 creditable compensation of the ~~plan~~ fiscal year ending in
24 the immediately preceding calendar year upon which
25 members' contributions are based, to be calculated
26 annually on October 1, and shall be divided into four
27 equal quarterly payments.

28 (b) Notwithstanding Section 13340 of the
29 Government Code, commencing October 1, 2003, a
30 continuous appropriation, in addition to the
31 appropriation made by subdivision (a), is hereby
32 annually made from the General Fund to the Controller
33 for transfer to the Teachers' Retirement Fund. The total
34 amount of the appropriation for each year shall be equal
35 to 0.524 percent of the total of the creditable
36 compensation of the ~~plan~~ fiscal year ending in the
37 immediately preceding calendar year upon which
38 members' contributions are based, to be calculated
39 annually on October 1, and shall be divided into four
40 equal quarterly payments. The percentage shall be



1 adjusted to reflect the contribution required to fund the
2 normal cost deficit or the unfunded obligation as
3 determined by the board based upon a recommendation
4 from its actuary. If a rate increase is required, the
5 adjustment may be for no more than 0.25 percent per
6 year and in no case may the transfer made pursuant to this
7 subdivision exceed 1.505 percent of the total of the
8 creditable compensation of the ~~plan~~ fiscal year ending in
9 the immediately preceding calendar year upon which
10 members' contributions are based. At any time when
11 there is neither an unfunded obligation nor a normal cost
12 deficit, the percentage shall be reduced to zero. The
13 funds transferred pursuant to this subdivision shall first be
14 applied to eliminating on or before June 30, 2027, the
15 unfunded actuarial liability of the fund identified in the
16 actuarial valuation as of June 30, 1997.

17 (c) For the purposes of this section, the term "normal
18 cost deficit" means the difference between the normal
19 cost rate as determined in the actuarial valuation
20 required by Section 22311 and the total of the member
21 contribution rate required under Section 22901 and the
22 employer contribution rate required under Section
23 22950, and shall exclude (1) the portion for unused sick
24 leave service credit granted pursuant to Section 22717,
25 and (2) the cost of benefit increases that occur after July
26 1, 1990. The contribution rates prescribed in Section
27 22901 and Section 22950 on July 1, 1990, shall be utilized
28 to make the calculations. The normal cost deficit shall
29 then be multiplied by the total of the creditable
30 compensation upon which member contributions under
31 this part are based to determine the dollar amount of the
32 normal cost deficit for the year.

33 (d) Pursuant to Section 22001 and case law, members
34 are entitled to a financially sound retirement system. It is
35 the intent of the Legislature that this section shall provide
36 the retirement fund stable and full funding over the long
37 term.

38 (e) This section continues in effect but in a somewhat
39 different form, fully performs, and does not in any way
40 unreasonably impair, the contractual obligations



1 determined by the court in California Teachers’
 2 Association v. Cory, 155 Cal.App.3d 494.

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

7 (g) The provisions of this section shall be construed
 8 and implemented to be in conformity with the judicial
 9 intent expressed by the court in California Teachers’
 10 Association v. Cory, 155 Cal.App.3d 494.

11 (h) This section shall become operative on July 1, 2003,
 12 *if the revenue limit cost-of-living adjustment computed*
 13 *by the Superintendent of Public Instruction for the*
 14 *2001–02 fiscal year is equal to or greater than 3.5 percent.*
 15 *Otherwise this section shall become operative on July 1,*
 16 *2004.*

17 ~~SEC. 60.~~

18 *SEC. 38.* Section 22955.5 is added to the Education
 19 Code, to read:

20 22955.5. For purposes of Sections 22954 and 22955,
 21 “creditable compensation” shall include only creditable
 22 compensation for which member contributions are
 23 credited under the Defined Benefit Program.

24 ~~SEC. 61. Section 23100 of the Education Code is~~
 25 ~~amended to read:~~

26 ~~23100. (a) Upon the termination of a member’s~~
 27 ~~employment by any cause other than death, disability, or~~
 28 ~~retirement there shall be paid to the member, pursuant~~
 29 ~~to this part, each of the following:~~

30 ~~(1) The member’s accumulated retirement~~
 31 ~~contributions made after June 30, 1935.~~

32 ~~(2) The member’s accumulated annuity deposit~~
 33 ~~contributions.~~

34 ~~(3) An amount equal to the balance of credits in the~~
 35 ~~member’s Defined Benefit Supplement account.~~

36 ~~(b) Accumulated retirement contributions and~~
 37 ~~accumulated annuity deposit contributions shall include~~
 38 ~~credited interest through the date of payment.~~

39 ~~SEC. 62. Section 23300 of the Education Code is~~
 40 ~~repealed.~~



1 ~~SEC. 63. Section 23300 is added to the Education~~
2 ~~Code, to read:~~

3 ~~23300. (a) A member of the Defined Benefit~~
4 ~~Program may designate a beneficiary to receive benefits~~
5 ~~payable under this part upon the member's death. A~~
6 ~~beneficiary designation may not be made in derogation~~
7 ~~of a nonmember spouse's community property interest~~
8 ~~with respect to service or contributions credited under~~
9 ~~this part unless the nonmember spouse has previously~~
10 ~~obtained an alternative order pursuant to Section 2610 of~~
11 ~~the Family Code.~~

12 ~~(b) A member shall make separate designations for~~
13 ~~benefits payable under the Defined Benefit Program and~~
14 ~~the Defined Benefit Supplement Program. Each~~
15 ~~designation shall be in writing on a form prescribed by~~
16 ~~the system, executed by the member, and witnessed by~~
17 ~~two witnesses who are not designated as beneficiary for~~
18 ~~benefits payable under either the Defined Benefit~~
19 ~~Program or the Defined Benefit Supplement Program. A~~
20 ~~member may designate the same beneficiary for benefits~~
21 ~~payable under the Defined Benefit Program and the~~
22 ~~Defined Benefit Supplement Program, or may designate~~
23 ~~a different beneficiary for each.~~

24 ~~(c) A beneficiary designation shall not be valid unless~~
25 ~~it is received in the office of the system in Sacramento~~
26 ~~prior to the member's death.~~

27 ~~(d) A member may change or revoke a beneficiary~~
28 ~~designation at any time by making a new designation~~
29 ~~pursuant to this section.~~

30 ~~(e) This section shall not be applicable to the~~
31 ~~designation of an option beneficiary or an annuity~~
32 ~~beneficiary under this part.~~

33 ~~SEC. 64. Section 23881 of the Education Code is~~
34 ~~repealed.~~

35 ~~SEC. 65. Section 23881 is added to the Education~~
36 ~~Code, to read:~~

37 ~~23881. (a) If upon receipt of proof of death of a~~
38 ~~retired member who was receiving an unmodified~~
39 ~~allowance and who retired under this part after June 30,~~
40 ~~1972, there is a remaining balance of the member's~~



1 ~~accumulated retirement contributions, the balance shall~~
2 ~~be paid to the member's beneficiary.~~

3 ~~(b) Upon receipt of proof of death of a retired~~
4 ~~member's option beneficiary after the beneficiary begins~~
5 ~~to receive an allowance, the remaining balance of a~~
6 ~~member's accumulated retirement contributions, if any,~~
7 ~~shall be paid to the beneficiary designated by the option~~
8 ~~beneficiary to receive that payment.~~

9 ~~(c) The remaining balance of a retired member's~~
10 ~~accumulated retirement contributions shall be the~~
11 ~~difference between the balance of the accumulated~~
12 ~~retirement contributions on the effective date of the~~
13 ~~member's retirement and the total retirement allowance~~
14 ~~paid or payable to the retired member on the date of the~~
15 ~~member's death. If the retired member predeceased the~~
16 ~~option beneficiary, the remaining balance of the retired~~
17 ~~member's accumulated retirement contributions shall be~~
18 ~~the difference between the balance of the accumulated~~
19 ~~retirement contributions on the effective date of the~~
20 ~~member's retirement and the total retirement allowance~~
21 ~~paid or payable to the retired member and the option~~
22 ~~beneficiary on the date of the option beneficiary's death.~~

23 ~~(d) Payments pursuant to this section shall include~~
24 ~~interest on the remaining balance of accumulated~~
25 ~~retirement contributions calculated from the date the last~~
26 ~~allowance payment was made to the date the remaining~~
27 ~~balance of accumulated retirement contributions is paid.~~

28 ~~SEC. 66. Section 24202.5 of the Education Code is~~
29 ~~amended to read:~~

30 ~~24202.5. (a) A member who retires for service on or~~
31 ~~after January 1, 1999, shall receive a retirement allowance~~
32 ~~consisting of all of the following:~~

33 ~~(1) An annual allowance payable in monthly~~
34 ~~installments, upon retirement equal to the percentage of~~
35 ~~the final compensation set forth opposite the member's~~
36 ~~age at retirement in the following table multiplied by~~
37 ~~each year of credited service:~~

Age at Retirement	Percentage
60	2.00



1 60 ¹/₄ 2.033
2 60 ¹/₂ 2.067
3 60 ³/₄ 2.10
4 61 2.133
5 61 ¹/₄ 2.167
6 61 ¹/₂ 2.20
7 61 ³/₄ 2.233
8 62 2.267
9 62 ¹/₄ 2.30
10 62 ¹/₂ 2.333
11 62 ³/₄ 2.367
12 63 and over 2.40
13

14 If the member's retirement is effective at less than
15 normal retirement age and between early retirement age
16 and normal retirement age, the member's allowance shall
17 be reduced by one-half of 1 percent for each full month,
18 or fraction of a month that will elapse until the member
19 will attain normal retirement age.

20 (2) An annuity that shall be the actuarial equivalent of
21 the member's accumulated annuity deposit contributions
22 at the time of retirement.

23 (3) An annuity based on the balance of credits in the
24 member's Defined Benefit Supplement account,
25 pursuant to Section 25012, if elected by the member
26 pursuant to Section 25011.

27 (b) In computing the amounts described in paragraph
28 (1) of subdivision (a), the age of the member on the last
29 day of the month in which the retirement allowance
30 begins to accrue or the later date as provided in Section
31 24204 shall be used.

32 SEC. 67. Section 24206 of the Education Code is
33 amended to read:

34 24206. The minimum unmodified allowance for
35 service retirement under the Defined Benefit Program,
36 exclusive of annuities payable from accumulated annuity
37 deposit contributions and exclusive of the balance of
38 credits in the member's Defined Benefit Supplement
39 account, shall not be less than ten dollars (\$10) per month
40 multiplied by the member's years of credited service.



1 ~~This guaranteed amount shall be reduced by the amount~~
2 ~~of an unmodified allowance payable from a local system~~
3 ~~based on service credited under the Defined Benefit~~
4 ~~Program. If the retirement is effective at less than age 60~~
5 ~~years this allowance shall be reduced by one-half of 1~~
6 ~~percent for each full month or fraction of a month that~~
7 ~~will elapse until the member would have reached age 60~~
8 ~~years.~~

9 ~~SEC. 68. Section 24300.5 is added to the Education~~
10 ~~Code, to read:~~

11 ~~24300.5. An option beneficiary who is receiving an~~
12 ~~allowance pursuant to the option elected by the member~~
13 ~~may designate a beneficiary to receive any remaining~~
14 ~~balance of the retired member's accumulated retirement~~
15 ~~contributions payable pursuant to Section 23881 upon the~~
16 ~~death of the option beneficiary.~~

17 ~~SEC. 69.~~

18 ~~SEC. 39. Section 24305.3 is added to the Education~~
19 ~~Code, to read:~~

20 ~~24305.3. (a) A member who is receiving a joint and~~
21 ~~survivor annuity under the Defined Benefit Supplement~~
22 ~~Program may change the annuity or the annuity~~
23 ~~beneficiary elected pursuant to Section 25011 or 25018~~
24 ~~provided all of the following conditions are met:~~

25 ~~(1) The annuity beneficiary is the member's spouse or~~
26 ~~former spouse.~~

27 ~~(2) A final decree of dissolution of marriage is granted,~~
28 ~~or a judgment of nullity is entered, or an order of separate~~
29 ~~maintenance is made by a court of competent jurisdiction~~
30 ~~with respect to the member and the spouse or former~~
31 ~~spouse on or after the beginning of the initial plan year~~
32 ~~designated by the board pursuant to Section 22156.05.~~

33 ~~(3) The change is consistent with the final decree of~~
34 ~~dissolution, judgment of nullity, or order of separate~~
35 ~~maintenance.~~

36 ~~(b) A member may change the annuity pursuant to~~
37 ~~subdivision (a) before or after the first annuity payment~~
38 ~~is issued.~~

39 ~~(c) The member shall notify the system in writing of~~
40 ~~the change in the annuity. The notification shall not be~~



1 earlier than the effective date of the final decree of
2 dissolution, judgment of nullity, or order of separate
3 maintenance and shall include a certified copy of the final
4 decree of dissolution, judgment of nullity, or order of
5 separate maintenance, and any property settlement
6 agreement.

7 (d) A change in the annuity or annuity beneficiary or
8 both shall become effective on the date the notification
9 of change is received by the system. The annuity amount
10 payable to the member upon the change elected by the
11 member shall be determined as of the effective date of
12 the change and shall be the actuarial equivalent of the
13 lump sum that would otherwise be payable to the
14 member as of the date of the change. If the member elects
15 a joint and survivor annuity, the amount payable under
16 the annuity shall be modified consistent with the annuity
17 elected by the member.

18 ~~SEC. 70. Section 24400 of the Education Code is~~
19 ~~amended to read:~~

20 ~~24400. The Legislature recognizes that inflation~~
21 ~~erodes the purchasing power of benefits paid under the~~
22 ~~plan pursuant to this part. It is the intent of the~~
23 ~~Legislature to understand the degree of erosion of these~~
24 ~~benefits. The board shall report to the Governor and~~
25 ~~Legislature no later than April 1 of each year on the~~
26 ~~extent to which inflation has eroded the purchasing~~
27 ~~power of benefits provided under the Defined Benefit~~
28 ~~Program and Defined Benefit Supplement Program. The~~
29 ~~board shall indicate the amount of supplementary~~
30 ~~increases in retirement allowances and retirement~~
31 ~~annuities required to preserve the purchasing power of~~
32 ~~benefits provided under the Defined Benefit Program~~
33 ~~and Defined Benefit Supplement Program. The board~~
34 ~~shall also determine and report on the increases:~~

35 ~~SEC. 71. Section 24402 of the Education Code is~~
36 ~~amended to read:~~

37 ~~24402. (a) Service retirement allowances,~~
38 ~~retirement annuities, disability allowances, disability~~
39 ~~retirement allowances, disability annuities, family~~
40 ~~allowances, and survivor benefit allowances payable~~



~~1 pursuant to this part shall be increased by application of
2 the benefit improvement factor.~~

~~3 (b) Allowances payable to beneficiaries on account of
4 options elected under Section 24300, 24301, or 24307 and
5 annuities payable to annuity beneficiaries under the
6 Defined Benefit Supplement Program shall be increased
7 by application of the improvement factor. This factor
8 shall be applicable on the same date when it would have
9 been applied to the allowance of the deceased person.~~

~~10 (c) The benefit improvement factor shall not be
11 applied to an annuity that is the actuarial equivalent of
12 the accumulated annuity deposit contributions standing
13 to the credit of the member's account on the effective
14 date of a service or disability retirement.~~

~~15 SEC. 72. Section 24411 of the Education Code is
16 amended to read:~~

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

~~28 (2) The amount submitted in the annual Budget Act
29 pursuant to this section shall be considered as part of the
30 overall budget allocations to the public schools and
31 community colleges.~~

~~32 (b) The annual appropriation shall be made to the
33 system on July 1, and shall be placed in a segregated
34 account called the Retirees' Purchasing Power
35 Protection Account. The proceeds of that account are
36 continuously appropriated and shall be distributed
37 annually in quarterly payments commencing on
38 September 1 to retired members, disabled members,
39 beneficiaries under the Defined Benefit Program, and~~



1 annuity beneficiaries under the Defined Benefit
2 Supplement Program as follows:

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

23 (2) The board may deduct from the annual
24 appropriation an amount necessary for administrative
25 expenses to implement this section.

26 (c) The board shall inform each recipient of an
27 allowance or annuity under subdivision (b) that the
28 increases are not cumulative, are not part of the base
29 allowance or annuity, and shall be available only as
30 appropriated annually in the Budget Act.

31 (d) The adjustments authorized by this section shall
32 not be included in the base allowance or annuity for
33 purposes of calculating the 2 percent adjustment
34 authorized by Section 22140.

35 (e) It is the ultimate intent and purpose of the
36 Legislature in amending this section by Chapters 323 and
37 780 of the Statutes of 1983, to achieve a common
38 minimum purchasing power level equal to 75 percent of
39 the purchasing power of the original allowance. It is the
40 present intent of the Legislature that until adequate



1 funds are available to fulfill the ultimate intent, those
2 persons whose allowances or annuities have been most
3 impacted by inflation shall be accorded first priority in
4 receiving, pursuant to this section, supplemental
5 cost-of-living adjustments from the Retirees' Purchasing
6 Power Protection Account.

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

10 SEC. 73. Section 24412 of the Education Code is
11 amended to read:

12 24412. (a) The annual revenues deposited to the
13 Teachers' Retirement Fund pursuant to Section 6217.5 of
14 the Public Resources Code are continuously appropriated
15 without regard to fiscal year for the purposes of this
16 section and shall be distributed annually in quarterly
17 supplemental payments commencing on September 1 of
18 each year to retired members, disabled members,
19 beneficiaries under the Defined Benefit Program, and
20 annuity beneficiaries under the Defined Benefit
21 Supplement Program. The amount available for
22 distribution in any year shall be the income for that year
23 from the sale or use of school lands and lieu lands, as
24 estimated by the State Lands Commission prior to the
25 beginning of the fiscal year, adjusted by the difference
26 between the estimated and actual income for the
27 preceding fiscal year. The board shall deduct from the
28 revenues an amount necessary for administrative
29 expenses to implement this section.

30 (b) The net revenues to be distributed shall be
31 allocated among those retired members, disabled
32 members, and beneficiaries whose allowances under the
33 Defined Benefit Program and annuity beneficiaries
34 whose annuities under the Defined Benefit Supplement
35 Program, after sequentially applying the annual
36 improvement factor as defined in Section 22140 and the
37 annual supplemental payment as specified in Section
38 24411, if any, are below 75 percent of the original
39 purchasing power. The purchasing power calculation for
40 each individual allowance and annuity shall be based on



1 the change in the All Urban California Consumer Price
2 Index between June of the calendar year of retirement
3 and June of the fiscal year preceding the fiscal year of the
4 distribution. The allocation shall provide a pro rata share
5 of the amount needed to restore the allowance or annuity
6 payable, after sequential application of the current year
7 annual improvement factor and the supplemental
8 payment under Section 24411, to 75 percent of the
9 original purchasing power.

10 (e) The allowance or annuity increase shall not be
11 applicable to annuities payable from the accumulated
12 annuity deposit contributions or the accumulated
13 tax sheltered annuity contributions.

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

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

27 SEC. 74. Section 24415 of the Education Code is
28 amended to read:

29 24415. (a) The proceeds of the Supplemental Benefit
30 Maintenance Account shall be distributed annually in
31 quarterly supplemental payments commencing on
32 September 1, 1990, to retired members, disabled
33 members, annuity beneficiaries, and beneficiaries. The
34 amount available for distribution in any fiscal year shall
35 not exceed the amount necessary to restore purchasing
36 power up to 75 percent of the purchasing power of the
37 initial monthly allowance or annuity after the application
38 of all allowance and annuity increases authorized by this
39 part, including those specified in Section 24412.



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

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

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

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

36 ~~SEC. 75. Section 24417 of the Education Code is~~
37 ~~amended to read:~~

38 ~~24417. (a) The proceeds of an auxiliary~~
39 ~~Supplemental Benefit Maintenance Account shall be~~
40 ~~distributed annually in quarterly supplemental~~



1 ~~payments, commencing when funds in the Supplemental~~
2 ~~Benefit Maintenance Account are insufficient to support~~
3 ~~75 percent, to retired members, disabled members,~~
4 ~~annuity beneficiaries, and beneficiaries. The amount~~
5 ~~available for distribution in any fiscal year shall not~~
6 ~~exceed the amount necessary to restore purchasing~~
7 ~~power up to 75 percent of the purchasing power of the~~
8 ~~initial monthly allowance or annuity after the application~~
9 ~~of all allowance and annuity increases authorized by this~~
10 ~~part, including those specified in Sections 24412 and~~
11 ~~24415.~~

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

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

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

36 ~~(e) The distributions authorized by this section are~~
37 ~~vested only up to the amount payable as a result of the~~
38 ~~annual appropriation made pursuant to Section 22954 and~~
39 ~~shall not be included in the base allowance or annuity for~~



1 ~~purposes of calculating the annual improvement defined~~
2 ~~by Sections 22140 and 22141.~~

3 ~~SEC. 76. Section 24600 of the Education Code is~~
4 ~~amended to read:~~

5 ~~24600. (a) A retirement allowance under this part~~
6 ~~begins to accrue on the effective date of the member's~~
7 ~~retirement and ceases on the earlier of the day of the~~
8 ~~member's death or the day on which the retirement~~
9 ~~allowance is terminated for a reason other than the~~
10 ~~member's death.~~

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

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

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

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

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



1 follows: the allowance shall cease on the first day of the
2 month in which return to full-time attendance was
3 required and shall begin to accrue again on the first day
4 of the month in which full-time attendance resumes.

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

11 (h) Notwithstanding any other provision of this part or
12 other law, distributions payable under the plan with
13 respect to the Defined Benefit Program and the Defined
14 Benefit Supplement Program shall be made in
15 accordance with applicable provisions of the Internal
16 Revenue Code of 1986, as amended, and related
17 regulations. The required beginning date of benefit
18 payments that represent the entire interest of the
19 member in the plan with respect to the Defined Benefit
20 Program and the Defined Benefit Supplement Program
21 shall be either:

22 (1) In the case of a refund of contributions, as
23 described in Chapter 18 (commencing with Section
24 23100) of this part, and distribution of an amount equal to
25 the balance of credits in a member's Defined Benefit
26 Supplement account, as described in Chapter 38
27 (commencing with Section 25000) of this part, not later
28 than April 1 of the calendar year following the later of (A)
29 the calendar year in which the member attains 70½
30 years of age or (B) the calendar year in which the
31 member terminates employment within the meaning of
32 subdivision (i).

33 (2) In the case of a retirement allowance, as defined in
34 Section 22166, beginning not later than April 1 of the
35 calendar year following the later of (A) the calendar year
36 in which the member attains 70½ years of age or (B) the
37 calendar year in which the member terminates
38 employment within the meaning of subdivision (i), to
39 continue over the life of the member or the lives of the
40 member and the member's option beneficiary, or over



1 ~~the life expectancy of the member or the life expectancy~~
2 ~~of the member and the member's option beneficiary.~~

3 ~~(i) For purposes of subdivision (h), "terminates~~
4 ~~employment" means the later of:~~

5 ~~(1) The date the member ceases to perform creditable~~
6 ~~service subject to coverage under this plan.~~

7 ~~(2) The date the member ceases employment in a~~
8 ~~position subject to coverage under another public~~
9 ~~retirement system in this state if the compensation~~
10 ~~earnable while a member of the other system may be~~
11 ~~considered in the determination of final compensation~~
12 ~~pursuant to Section 22134, 22135, or 22136.~~

13 ~~SEC. 77. Section 25000 of the Education Code is~~
14 ~~amended and renumbered to read:~~

15 ~~25900. (a) The State Teachers' Retirement System~~
16 ~~shall develop a program to provide health care benefits~~
17 ~~for members, beneficiaries, children, and dependent~~
18 ~~parents.~~

19 ~~(b) All costs incurred by the system pursuant to this~~
20 ~~part shall be paid by allocations from the Teachers'~~
21 ~~Retirement Fund as appropriated for that purpose.~~

22 ~~(c) The health care benefits program developed by~~
23 ~~the system pursuant to this part shall not be implemented~~
24 ~~by the system unless specifically authorized by a statute~~
25 ~~enacted by the Legislature.~~

26 ~~SEC. 78. Section 25100 of the Education Code is~~
27 ~~amended and renumbered to read:~~

28 ~~25901. Unless the context otherwise requires, the~~
29 ~~definitions set forth in this chapter govern the~~
30 ~~construction of this part.~~

31 ~~SEC. 79. Section 25110 of the Education Code is~~
32 ~~amended and renumbered to read:~~

33 ~~25910. "Beneficiary" or "beneficiaries" means any~~
34 ~~person or entity receiving or entitled to receive an~~
35 ~~allowance and payment pursuant to Part 13~~
36 ~~(commencing with Section 22000) or 14 (commencing~~
37 ~~with Section 26000) because of the disability or death of~~
38 ~~a member.~~

39 ~~SEC. 80. Section 25115 of the Education Code is~~
40 ~~amended and renumbered to read:~~



1 ~~25915. (a) “Dependent child” or “dependent~~
2 ~~children” means a member’s unmarried offspring or~~
3 ~~stepchild who is not older than 22 years of age and who~~
4 ~~is financially dependent upon the member on the date~~
5 ~~the member becomes eligible for benefits pursuant to this~~
6 ~~part.~~

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

11 ~~(c) “Offspring” shall include a child adopted by the~~
12 ~~member.~~

13 ~~(d) “Dependent child” shall not include the member’s~~
14 ~~offspring or stepchild who is adopted by a person other~~
15 ~~than the member’s spouse.~~

16 ~~(e) “Financially dependent,” for purposes of this~~
17 ~~section, means that at least one-half of the child’s support~~
18 ~~was being provided by the member on the date the~~
19 ~~member became eligible for benefits pursuant to this~~
20 ~~part. The system may require that income tax records or~~
21 ~~other data be submitted to substantiate the child’s~~
22 ~~financial dependence. In the absence of substantiating~~
23 ~~documentation, the system may determine that the child~~
24 ~~was not dependent on the date the member became~~
25 ~~eligible for benefits pursuant to this part.~~

26 ~~SEC. 81. Section 25120 of the Education Code is~~
27 ~~amended and renumbered to read:~~

28 ~~25920. “Dependent parent” or “dependent parents”~~
29 ~~means a natural parent or parents of a member, or a~~
30 ~~parent or parents who adopted the member prior to the~~
31 ~~earlier of the occurrence of the member’s marriage or his~~
32 ~~or her attaining 18 years of age, and who was receiving~~
33 ~~one-half or more of his or her support from the member~~
34 ~~at the time the member became eligible for benefits~~
35 ~~pursuant to this part.~~

36 ~~SEC. 82. Section 25125 of the Education Code is~~
37 ~~amended and renumbered to read:~~

38 ~~25925. “Member” means a current or retired~~
39 ~~employee of an employer, as defined in Section 22131.~~



1 ~~SEC. 83. Chapter 38 (commencing with Section~~
2 ~~25000) is added to Part 13 of Division 1 of Title 1 of the~~
3 ~~Education Code, to read:~~

4

5 ~~CHAPTER 38. DEFINED BENEFIT SUPPLEMENT PROGRAM~~

6

7 ~~Article 1. General Provisions~~

8

9 ~~25000. The Defined Benefit Supplement Program is~~
10 ~~hereby established to provide supplemental benefits for~~
11 ~~members of the Defined Benefit Program. The Teachers'~~
12 ~~Retirement Board shall administer the Defined Benefit~~
13 ~~Supplement Program in accordance with the provisions~~
14 ~~of this chapter.~~

15 ~~25000.5. (a) The design and administration of the~~
16 ~~Defined Benefit Supplement Program shall comply with~~
17 ~~the applicable provisions of the Internal Revenue Code~~
18 ~~and the Revenue and Taxation Code. The Teachers'~~
19 ~~Retirement Board may amend the plan with respect to~~
20 ~~the Defined Benefit Supplement Program to do any of~~
21 ~~the following:~~

22 ~~(1) Comply with applicable federal laws and~~
23 ~~regulations to the extent permitted by law.~~

24 ~~(2) Adopt or amend actuarial assumptions.~~

25 ~~(3) Designate the initial plan year.~~

26 ~~(4) Establish or revise the minimum interest rate.~~

27 ~~(5) Declare an additional earnings credit.~~

28 ~~(6) Declare an additional annuity credit.~~

29 ~~(b) If a person becomes entitled to a distribution from~~
30 ~~the program under this part that constitutes an eligible~~
31 ~~rollover distribution within the meaning of Section~~
32 ~~401(a)(31) of Title 26 of the United States Code, the~~
33 ~~person may elect under terms and conditions established~~
34 ~~by the board to have the distribution or a portion thereof~~
35 ~~paid directly to a plan that constitutes an eligible~~
36 ~~retirement plan within the meaning of Section~~
37 ~~401(a)(31), as specified by that person. Upon the exercise~~
38 ~~of the election by a person with respect to a distribution~~
39 ~~or a portion thereof, the distribution from the program of~~
40 ~~the amount so designated, once distributable under the~~



1 terms of the program, shall be made in the form of a direct
2 rollover to the eligible retirement plan so specified.

3 ~~25000.7. A member shall have a vested right to a~~
4 ~~benefit under the Defined Benefit Supplement Program~~
5 ~~in an amount equal to the balance of credits in the~~
6 ~~member's Defined Benefit Supplement account. That~~
7 ~~right shall accrue when the member's Defined Benefit~~
8 ~~Supplement account is established pursuant to Section~~
9 ~~25004.~~

10

11 ~~Article 2. Program Accounts~~

12

13 ~~25001. (a) The board shall establish a segregated~~
14 ~~account within the retirement fund to be known as the~~
15 ~~Gain and Loss Reserve, and the board shall have sole~~
16 ~~authority over the reserve. The Gain and Loss Reserve~~
17 ~~shall be maintained for the Defined Benefit Supplement~~
18 ~~Program and may be used to credit interest at the~~
19 ~~minimum interest rate for plan years in which the board~~
20 ~~determines that the obligation cannot be met from~~
21 ~~investment earnings. The Gain and Loss Reserve may also~~
22 ~~be used to provide additions to the Annuitant Reserve for~~
23 ~~monthly annuities payable under the Defined Benefit~~
24 ~~Supplement Program.~~

25 ~~(b) The board shall establish a goal for the balance of~~
26 ~~the Gain and Loss Reserve and periodically shall review~~
27 ~~the sufficiency of the reserve based on the~~
28 ~~recommendations of the actuary.~~

29 ~~(c) The board may allocate excess earnings of the plan~~
30 ~~with respect to assets attributable to the Defined Benefit~~
31 ~~Supplement Program to the Gain and Loss Reserve. Upon~~
32 ~~the recommendation of the actuary, the board shall~~
33 ~~determine annually the amount, if any, that is to be~~
34 ~~allocated to the Gain and Loss Reserve for that plan year.~~
35 ~~That determination shall be made upon recommendation~~
36 ~~of the actuary after adoption of the actuarial valuation~~
37 ~~undertaken pursuant to Section 22311.5 following the~~
38 ~~plan year, but no later than June 30 following the end of~~
39 ~~the plan year. In determining whether to allocate excess~~



1 earnings to the Gain and Loss Reserve, the board shall
2 consider all of the following:

3 (1) Whether or not the plan has excess earnings
4 attributable to the Defined Benefit Supplement
5 Program.

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

8 (3) The amount required for the plan's administrative
9 costs with respect to the Defined Benefit Supplement
10 Program.

11 (4) The amount required for crediting members'
12 accounts at the minimum interest rate.

13 25002. The board shall establish and maintain a
14 segregated account within the retirement fund to be
15 known as the Annuitant Reserve and the board shall have
16 sole authority over the reserve. The Annuitant Reserve
17 shall be used for the payment of annuities under the
18 Defined Benefit Supplement Program. The board shall
19 transfer the balance in a member's accumulated Defined
20 Benefit Supplement account to the reserve when a
21 benefit is to be paid as an annuity.

22 25003. The board may transfer amounts between the
23 Gain and Loss Reserve and the Annuitant Reserve upon
24 the recommendation of the actuary.

25 25004. Member accounts under the Defined Benefit
26 Supplement Program shall be nominal accounts. Member
27 contributions and employer contributions on behalf of
28 the member that are specifically identified as creditable
29 to the Defined Benefit Supplement Program shall be
30 treated as credits to the member's Defined Benefit
31 Supplement account, together with interest credited at
32 the minimum interest rate and additional earnings credit
33 thereon. The balance of credits in a member's account
34 shall determine the amount to which the member is
35 entitled under the Defined Benefit Supplement Program
36 upon termination of employment subject to coverage by
37 the plan. The member shall not have a right or claim to
38 any specific assets of the account, program, plan, or
39 retirement fund.



1 ~~25005. (a) Prior to July 1 of the initial plan year, and~~
2 ~~prior to the beginning of each plan year thereafter, the~~
3 ~~board shall adopt a plan amendment with respect to the~~
4 ~~Defined Benefit Supplement Program to declare the rate~~
5 ~~at which interest shall be credited to Defined Benefit~~
6 ~~Supplement accounts for the following plan year.~~

7 ~~(b) The minimum interest rate declared annually by~~
8 ~~the board shall be in accordance with applicable federal~~
9 ~~laws and related regulations and shall not be less than the~~
10 ~~rate at which interest is credited under the Defined~~
11 ~~Benefit Program.~~

12 ~~(c) Interest shall be added to Defined Benefit~~
13 ~~Supplement accounts and shall be computed at the~~
14 ~~minimum interest rate on the balance in a member's~~
15 ~~account and shall be compounded daily.~~

16 ~~(d) Credited interest shall not be applied to the~~
17 ~~balance of credits in a member's Defined Benefit~~
18 ~~Supplement account that has been transferred to the~~
19 ~~Annuitant Reserve.~~

20 ~~25006. (a) The board may declare an additional~~
21 ~~earnings credit to be applied to Defined Benefit~~
22 ~~Supplement accounts for a plan year. Prior to declaring~~
23 ~~an additional earnings credit, the board shall consider all~~
24 ~~of the following:~~

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

29 ~~(2) The amount required for the plan year to credit~~
30 ~~interest on members' nominal accounts at the minimum~~
31 ~~interest rate.~~

32 ~~(3) The amount of the plan's administrative expenses~~
33 ~~with respect to the Defined Benefit Supplement~~
34 ~~Program for the plan year.~~

35 ~~(4) The sufficiency of the Gain and Loss Reserve and~~
36 ~~whether any additions must be made to that reserve.~~

37 ~~(b) For any plan year that the board declares an~~
38 ~~additional earnings credit, the board shall specify the~~
39 ~~amount to be added to members' accounts as a~~
40 ~~percentage increase. The additional earnings credit shall~~



1 be applied to the balance of credits in each member's
2 Defined Benefit Supplement account as of the last day of
3 the plan year and shall be applied as of the date specified
4 by the board. The additional earnings credit shall not be
5 added to the balance of credits in a member's Defined
6 Benefit Supplement account that has been transferred to
7 the Annuitant Reserve.

8 (c) The declaration of an additional earnings credit
9 shall be made as a plan amendment adopted by the board
10 with respect to the Defined Benefit Supplement
11 Program upon recommendation of the actuary after
12 adoption of the actuarial valuation undertaken pursuant
13 to Section 22311.5, following the plan year, but no later
14 than June 30 following the end of the plan year.

15 25007. When the board declares an additional
16 earnings credit for a plan year, the board also may declare
17 by plan amendment an additional annuity credit, for
18 members and annuity beneficiaries who are receiving an
19 annuity, based on the balance of credits transferred from
20 the member's Defined Benefit Supplement account to
21 the Annuitant Reserve. The additional annuity credit, if
22 declared by the board, shall be paid in a lump sum. In
23 addition to the considerations specified in Section 25006,
24 prior to declaring an additional earnings credit, the board
25 shall consider both of the following:

26 (a) The amount required for the plan year to apply the
27 additional earnings credit to the Defined Benefit
28 Supplement accounts of members who are not receiving
29 an annuity under the Defined Benefit Supplement
30 Program for the plan year.

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

33 25008. (a) A member's right to an amount equal to
34 the balance of credits in the member's Defined Benefit
35 Supplement account shall be vested at the time
36 contributions are initially credited to the member's
37 account.

38 (b) A partial distribution of the balance in a member's
39 Defined Benefit Supplement account shall not be made,
40 except as provided in Section 25009 or 25016.



Article 3. Retirement Benefits

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

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

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

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

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

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

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

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

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



1 ~~(1) A single life annuity without a cash refund feature.~~
2 ~~This form of payment is the actuarial equivalent of the~~
3 ~~amount that would be payable to the member if the~~
4 ~~member elected to receive the retirement benefit in a~~
5 ~~lump-sum payment. Upon the death of the member, no~~
6 ~~other benefit shall be payable to the member's~~
7 ~~beneficiary under the Defined Benefit Supplement~~
8 ~~Program.~~

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

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

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



1 annuity beneficiary's death upon receipt by the system of
2 proof of the annuity beneficiary's death.

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

18 (e) The actuarial equivalent of the balance of credits
19 in the member's Defined Benefit Supplement account
20 shall reflect increases in annuity payments to be made in
21 the future pursuant to Sections 24402 and 24415, unless
22 the member elected a period certain annuity. The
23 amount attributable to future purchasing power
24 payments shall be deposited in the Supplemental Benefit
25 Maintenance Account established by Section 24400.

26
27 Article 4.— Annuities

28
29 25012. An annuity payable under the Defined Benefit
30 Supplement Program shall be determined as a value
31 actuarially equivalent to the balance of credits in the
32 member's Defined Benefit Supplement account on the
33 date the benefit becomes payable and after any
34 lump-sum payment. If a single life annuity is elected, the
35 annuity shall be calculated using the age of the member
36 on the date the benefit becomes payable. If a joint and
37 survivor annuity is elected, the annuity shall be calculated
38 using the age of the member and the age of the member's
39 beneficiary on the date the benefit becomes payable.



1 ~~25013. Upon election by the member to receive a~~
2 ~~benefit payable under the Defined Benefit Supplement~~
3 ~~Program in the form of an annuity, the balance of credits~~
4 ~~in the member's Defined Benefit Supplement account~~
5 ~~shall be transferred to the Annuitant Reserve.~~

6 ~~25014. (a) If a member reinstates from service~~
7 ~~retirement under this part, payment of a retirement~~
8 ~~annuity based on the balance of credits that was~~
9 ~~transferred from the member's Defined Benefit~~
10 ~~Supplement account to the Annuitant Reserve shall~~
11 ~~terminate. The member's Defined Benefit Supplement~~
12 ~~account shall be credited with the actuarial equivalent of~~
13 ~~the member's annuity as of the date the annuity is~~
14 ~~terminated and the Annuitant Reserve shall be reduced~~
15 ~~by the amount credited to the member's account.~~

16 ~~(b) The actuarial equivalent of the annuity on the date~~
17 ~~the annuity is terminated shall be calculated using the~~
18 ~~actuarial assumptions that were in effect on the date the~~
19 ~~retirement annuity became payable. In determining the~~
20 ~~actuarial equivalent, the age of the member on the date~~
21 ~~the retirement annuity became payable shall be used if~~
22 ~~the member was receiving a single life annuity. If the~~
23 ~~member was receiving a joint and survivor annuity, the~~
24 ~~age of the member and the age of the member's annuity~~
25 ~~beneficiary on the date the retirement annuity became~~
26 ~~payable shall be used to determine the actuarial~~
27 ~~equivalent.~~

28 ~~(c) If the member subsequently retires again, an~~
29 ~~annuity based on the remaining balance of credits in the~~
30 ~~member's Defined Benefit Supplement account at the~~
31 ~~time of the subsequent retirement shall become payable~~
32 ~~pursuant to Section 24202.5 and the balance of credits in~~
33 ~~the member's Defined Benefit Supplement account shall~~
34 ~~be transferred to the Annuitant Reserve.~~

35 ~~25015. (a) If a member elects to receive a benefit~~
36 ~~payable under the Defined Benefit Supplement Program~~
37 ~~as a joint and survivor annuity, the member shall~~
38 ~~designate an annuity beneficiary on the benefit~~
39 ~~application. The annuity beneficiary designation shall not~~
40 ~~be changed after the date the benefit becomes payable to~~



1 the member, except as provided in Chapter 12
2 (commencing with Section 22650).

3 (b) A member who elects to receive a joint and
4 survivor annuity may designate more than one annuity
5 beneficiary. If the member designates multiple annuity
6 beneficiaries, the member shall specify the percentage of
7 the annuity payable to each annuity beneficiary upon the
8 death of the member. The annuity amount payable to the
9 member during his or her lifetime shall be modified to be
10 payable over the combined lives of the member and the
11 annuity beneficiaries.

12 (c) If the member predeceases an annuity beneficiary,
13 the annuity beneficiary may designate a payee to receive
14 an amount that may be payable in a lump-sum pursuant
15 to Section 25023 upon the death of the annuity
16 beneficiary.

17
18 Article 5. Disability Benefits
19

20 25016. (a) A member's disability benefit under the
21 Defined Benefit Supplement Program shall be an amount
22 equal to the balance of credits in the member's Defined
23 Benefit Supplement account on the date the disability
24 benefit becomes payable.

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

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

34 25017. (a) A member who meets the following
35 eligibility requirements may receive a disability benefit
36 under the Defined Benefit Supplement Program:

37 (1) The member has terminated all employment to
38 perform creditable service subject to coverage by the
39 plan. The member's employer, or employers if the
40 member has multiple employers, shall certify on a form

1 ~~prescribed by the system that the member's employment~~
2 ~~has been terminated.~~

3 ~~(2) The member has been approved to receive a~~
4 ~~disability allowance pursuant to Chapter 25~~
5 ~~(commencing with Section 24001) or a disability~~
6 ~~retirement allowance pursuant to Chapter 26~~
7 ~~(commencing with Section 24100) under the Defined~~
8 ~~Benefit Program.~~

9 ~~(b) The member, or the member's employer or~~
10 ~~conservator on behalf of the member, shall submit an~~
11 ~~application for a disability benefit on a form prescribed by~~
12 ~~the system.~~

13 ~~25018. (a) A member may elect to receive the~~
14 ~~disability benefit as an annuity payable in monthly~~
15 ~~installments provided the balance of credits in the~~
16 ~~member's Defined Benefit Supplement account on the~~
17 ~~date the disability benefit becomes payable equals at least~~
18 ~~three thousand five hundred dollars (\$3,500).~~

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

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

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



1 ~~(3) A 100-percent joint and survivor annuity. This~~
2 ~~form of payment is the actuarial equivalent of the~~
3 ~~lump-sum payment modified to be payable over the~~
4 ~~combined lives of the member and the member's annuity~~
5 ~~beneficiary. Upon the death of the member, the same~~
6 ~~monthly amount that was payable to the member shall be~~
7 ~~paid monthly to the member's surviving annuity~~
8 ~~beneficiary. If the annuity beneficiary predeceases the~~
9 ~~member, the annuity shall be payable to the member~~
10 ~~without modification as of the day following the date of~~
11 ~~the annuity beneficiary's death upon receipt by the~~
12 ~~system of proof of the annuity beneficiary's death.~~

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

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



1 ~~(c) The actuarial equivalent of the balance of credits~~
2 ~~in the member's Defined Benefit Supplement account~~
3 ~~shall reflect increases in annuity payments to be made in~~
4 ~~the future pursuant to Sections 24402 and 24415, unless~~
5 ~~the member elected a period certain annuity. The~~
6 ~~amount attributable to future purchasing power~~
7 ~~payments shall be deposited in the Supplemental Benefit~~
8 ~~Maintenance Account established by Section 24400.~~

9 ~~25019. (a) If a member's disability allowance or~~
10 ~~disability retirement allowance under this part is~~
11 ~~terminated, payment of a disability annuity based on the~~
12 ~~balance of credits transferred from the member's~~
13 ~~Defined Benefit Supplement account to the Annuitant~~
14 ~~Reserve also shall terminate. The member's Defined~~
15 ~~Benefit Supplement account shall be credited with the~~
16 ~~actuarial equivalent of the member's annuity as of the~~
17 ~~date the annuity is terminated and the Annuitant Reserve~~
18 ~~shall be reduced by the amount credited to the member's~~
19 ~~account.~~

20 ~~(b) The actuarial equivalent of the annuity on the date~~
21 ~~the annuity is terminated shall be calculated using the~~
22 ~~actuarial assumptions that were in effect on the date the~~
23 ~~disability annuity became payable. In determining the~~
24 ~~actuarial equivalent, the age of the member on the date~~
25 ~~the disability annuity became payable shall be used if the~~
26 ~~member was receiving a single life annuity. If the~~
27 ~~member was receiving a joint and survivor annuity, the~~
28 ~~age of the member and the age of the member's annuity~~
29 ~~beneficiary on the date the disability annuity became~~
30 ~~payable shall be used to determine the actuarial~~
31 ~~equivalent.~~

32 ~~(c) If a disability allowance or disability retirement~~
33 ~~allowance subsequently becomes payable again, an~~
34 ~~annuity based on the remaining balance of credits in the~~
35 ~~member's Defined Benefit Supplement account at the~~
36 ~~time of the subsequent disability or disability retirement~~
37 ~~shall become payable and the balance of credits in the~~
38 ~~member's Defined Benefit Supplement account shall be~~
39 ~~transferred to the Annuitant Reserve.~~

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Article 6. ~~Final Benefits~~

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

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

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

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

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

~~(1) A single life annuity without a cash refund feature. This form of payment is the actuarial equivalent of the amount that would be payable to the beneficiary if the beneficiary elected to receive the final benefit in a lump-sum payment. The annuity shall cease to be payable upon the death of the beneficiary, and no other benefit will be payable under the Defined Benefit Supplement Program because of the death of the member and the member's beneficiary.~~

~~(2) A period certain annuity. This form of payment is an annuity equal to the the actuarial equivalent of the balance of credits in the member's Defined Benefit Supplement account on the date of the member's death. The annuity shall be payable over a specified number of years, from a minimum of three years to a maximum of 10 years, but not to exceed the life expectancy of the~~



1 beneficiary, until the annuity amount paid equals the
2 amount of credits that was in the member's Defined
3 Benefit Supplement account. The beneficiary may
4 designate a payee to receive the remaining balance of
5 payments if the beneficiary's death occurs prior to the
6 end of the period certain.

7 (e) The actuarial equivalent of the balance of credits
8 in the member's Defined Benefit Supplement account
9 shall reflect increases in annuity payments to be made in
10 the future pursuant to Sections 24402 and 24415, unless
11 the member elected a period certain annuity. The
12 amount attributable to future purchasing power
13 payments shall be deposited in the Supplemental Benefit
14 Maintenance Account established by Section 24400.

15 25022. (a) If the death of a member occurs while the
16 member is receiving an annuity under the Defined
17 Benefit Supplement Program, the final benefit shall be
18 payable in accordance with the terms of the annuity
19 elected by the member.

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

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

26 (d) If the member was receiving a joint and survivor
27 annuity, the annuity shall continue to be paid to the
28 surviving designated annuity beneficiary. If the
29 designated annuity beneficiary predeceases the member,
30 a final benefit shall not be payable.

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

34 25023. (a) Upon the death of an annuity beneficiary
35 who was receiving an annuity under a joint and survivor
36 annuity elected by the member no further payment shall
37 be made.

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



1 ~~(c) Upon the death of a beneficiary who was receiving~~
2 ~~a single life annuity without a cash refund feature, no~~
3 ~~further payment shall be made.~~

4 ~~(d) Upon the death of a beneficiary who was receiving~~
5 ~~a period certain annuity, the remaining balance of~~
6 ~~payments shall be paid in a lump sum to the payee~~
7 ~~designated by the beneficiary pursuant to subdivision (c)~~
8 ~~of Section 25015.~~

9
10 ~~Article 7. Termination Benefits~~

11
12 ~~25024. (a) Upon the termination of all employment~~
13 ~~to perform creditable service subject to coverage under~~
14 ~~the plan for a reason other than retirement, disability, or~~
15 ~~death, a member shall be eligible for a termination~~
16 ~~benefit under the Defined Benefit Supplement Program.~~
17 ~~The member's employer, or employers if the member has~~
18 ~~multiple employers, shall certify on a form prescribed by~~
19 ~~the system that the member's employment has been~~
20 ~~terminated.~~

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

23 ~~(c) The termination benefit shall be a lump-sum~~
24 ~~payment that is equal in amount to the balance of credits~~
25 ~~in the member's Defined Benefit Supplement account.~~

26 ~~(d) Upon distribution of the termination benefit, no~~
27 ~~further benefit shall be payable to the member or the~~
28 ~~member's beneficiary under the Defined Benefit~~
29 ~~Supplement Program.~~

30 ~~25025. A termination benefit under the Defined~~
31 ~~Benefit Supplement Program shall be payable after one~~
32 ~~calendar year has elapsed following the date the member~~
33 ~~terminated employment as specified in Section 25024. If~~
34 ~~the member performs creditable service within one year~~
35 ~~of the prior termination of employment, the termination~~
36 ~~benefit shall not be payable.~~

37 ~~25026. The member may cancel an application for a~~
38 ~~termination benefit at any time prior to distribution of~~
39 ~~the benefit.~~

1 SEC. 40. Section 24600 of the Education Code, as
2 amended by Chapter 965 of the Statutes 1998, is amended
3 to read:

4 24600. (a) A retirement allowance under this part
5 begins to accrue on the effective date of the member's
6 retirement and ceases on the earlier of the day of the
7 member's death or the day on which the retirement
8 allowance is terminated for a reason other than the
9 member's death.

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

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

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

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

31 (f) A child's portion of an allowance under this part
32 begins to accrue on the effective date of that allowance
33 and ceases on the earlier of either the termination of the
34 child's eligibility or the termination of the allowance.

35 (1) Until January 1, 2002, a person who on December
36 31, 1996, is between 18 and 22 years of age and who is
37 eligible as a full-time student to receive a child's portion
38 of an allowance shall continue to be eligible for a child's
39 portion until the person attains 22 years of age or until the
40 first day of the month following the end of the school



1 quarter or semester that is in progress in the month the
2 person attains 22 years of age provided prior verification
3 of full-time student status is received by the board. If
4 verification is not received by the board prior to the date
5 the person attains 22 years of age, the allowance or the
6 child's portion of the allowance shall cease on the day the
7 full-time student attains 22 years of age.

8 (2) Notwithstanding subdivision (e) of Section 22123,
9 until January 1, 2002, a person who on December 31, 1996,
10 is between 18 and 22 years of age and who is not eligible
11 as a full-time student to receive a child's portion of an
12 allowance, may return to school on a full-time basis on or
13 after January 1, 1997, and become eligible for a child's
14 portion from the date of return to full-time student status
15 until 22 years of age or until the first day of the month
16 following the end of the school quarter or semester that
17 is in progress in the month the person attains 22 years of
18 age provided prior verification of full-time student status
19 is received by the board. If verification is not received by
20 the board prior to the date the person attains 22 years of
21 age, the allowance or the child's portion of the allowance
22 shall cease on the day the full-time student attains 22 years
23 of age. No benefits shall be payable under this paragraph
24 for a person who does not return to school as a full-time
25 student prior to attaining 22 years of age.

26 (g) Supplemental payments issued under this part
27 pursuant to Sections 24701, 24702, and 24703 to retired
28 members, disabled members, and beneficiaries shall
29 begin to accrue pursuant to Sections 24701, 24702, and
30 24703 and shall cease to accrue as of the termination dates
31 specified in subdivisions (a) to (f), inclusive, of this
32 section.

33 (h) Notwithstanding any other provision of this part or
34 other law, distributions ~~from payable under~~ the plan with
35 respect to the Defined Benefit Program *and the Defined*
36 *Benefit Supplement Program* shall be made in
37 accordance with ~~Section 401(a)(9)~~ *applicable provisions*
38 of the Internal Revenue Code of 1986, as amended,
39 ~~including the incidental death benefit requirements of~~
40 ~~Section 401(a)(9)(G)~~ and the regulations ~~thereunder,~~



1 ~~and the~~. *The* required beginning date of benefit
2 payments that represent the entire interest of the
3 member in the plan with respect to the Defined Benefit
4 Program *and the Defined Benefit Supplement Program*
5 shall be ~~as follows~~ *either*:

6 (1) In the case of a refund of contributions, as
7 described in Chapter ~~12~~ 18 (commencing with Section
8 23100) *of this part and distribution of an amount equal to*
9 *the balance of credits in a member's Defined Benefit*
10 *Supplement account, as described in Chapter 38*
11 *(commencing with Section 25000) of this part, not later*
12 *than April 1 of the calendar year following the later of*
13 *both of the following:*

14 (A) The calendar year in which the member attains
15 age 70¹/₂ years.

16 (B) The calendar year in which the member
17 terminates employment within the meaning of
18 subdivision (i).

19 (2) In the case of a retirement allowance, as defined in
20 Section ~~22150~~ 22166, beginning not later than April 1 of
21 the calendar year following the later of (A) the calendar
22 year in which the member attains age 70¹/₂ years; or (B)
23 the calendar year in which the member terminates
24 employment within the meaning of subdivision (i), to
25 continue over the life of the member or the lives of the
26 member and the member's option beneficiary, or over
27 the life expectancy of the member or the life expectancy
28 of the member and the member's option beneficiary.

29 (i) For purposes of subdivision (h), the phrase
30 "terminates employment" means the later of ~~the~~
31 ~~termination of employment subject to coverage under~~
32 ~~the Defined Benefit Program or the termination of~~
33 ~~employment in a position requiring or permitting~~
34 ~~membership in another public retirement system in this~~
35 ~~state the compensation from which may be included in~~
36 ~~final compensation under Section 22127.:~~

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

39 (2) *The date the member ceases employment in a*
40 *position subject to coverage under another public*



1 retirement system in this state if the compensation
2 earnable while a member of the other system may be
3 considered in the determination of final compensation
4 pursuant to Section 22134, 22135, or 22136.

5 (j) This section shall remain in effect only until
6 January 1, 2002, and as of that date is repealed, unless a
7 later enacted statute, which is enacted before January 1,
8 2002, deletes or extends that date.

9 *SEC. 41. Section 24600 of the Education Code, as*
10 *amended by Chapter 74 of the Statutes of 2000, is*
11 *repealed.*

12 ~~24600. (a) A retirement allowance under this part~~
13 ~~begins to accrue on the effective date of the member's~~
14 ~~retirement and ceases on the earlier of the day of the~~
15 ~~member's death or the day on which the retirement~~
16 ~~allowance is terminated for a reason other than the~~
17 ~~member's death.~~

18 ~~(b) A retirement allowance payable to an option~~
19 ~~beneficiary under this part begins to accrue on the day~~
20 ~~following the day of the retired member's death and~~
21 ~~ceases on the day of the option beneficiary's death.~~

22 ~~(c) A disability allowance under this part begins to~~
23 ~~accrue on the effective date of the member's disability~~
24 ~~and ceases on the earlier of the day of the member's death~~
25 ~~or the day on which the disability allowance is terminated~~
26 ~~for a reason other than the member's death.~~

27 ~~(d) A family allowance under this part begins to~~
28 ~~accrue on the day following the day of the member's~~
29 ~~death and ceases on the day of the event that terminates~~
30 ~~eligibility for the allowance.~~

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

38 ~~(f) A child's portion of an allowance under this part~~
39 ~~begins to accrue on the effective date of that allowance~~
40 ~~and ceases on the earlier of either the termination of the~~



1 child's eligibility or the termination of the allowance. An
2 allowance payable because of a full-time student shall
3 terminate on the first day of the month following the end
4 of the school quarter or semester that is in progress in the
5 month the full-time student attains 22 years of age. Any
6 adjustment to an allowance because of a full-time
7 student's periods of nonattendance shall be made as
8 follows: the allowance shall cease on the first day of the
9 month in which return to full-time attendance was
10 required and shall begin to accrue again on the first day
11 of the month in which full-time attendance resumes.

12 (g) Supplemental payments issued under this part
13 pursuant to Sections 24701, 24702, and 24703 to retired
14 members, disabled members, and beneficiaries shall
15 begin to accrue pursuant to Sections 24701, 24702, and
16 24703 and shall cease to accrue as of the termination dates
17 specified in subdivisions (a) to (f), inclusive.

18 (h) Notwithstanding any other provision of this part or
19 other law, distributions payable under the plan with
20 respect to the Defined Benefit Program and the Defined
21 Benefit Supplement Program shall be made in
22 accordance with applicable provisions of the Internal
23 Revenue Code of 1986, as amended, and related
24 regulations. The required beginning date of benefit
25 payments that represent the entire interest of the
26 member in the plan with respect to the Defined Benefit
27 Program and the Defined Benefit Supplement Program
28 shall be either:

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



1 ~~(2) In the case of a retirement allowance, as defined in~~
2 ~~Section 22166, beginning not later than April 1 of the~~
3 ~~calendar year following the later of (A) the calendar year~~
4 ~~in which the member attains 70 1/2 years of age or (B) the~~
5 ~~calendar year in which the member terminates~~
6 ~~employment within the meaning of subdivision (i), to~~
7 ~~continue over the life of the member or the lives of the~~
8 ~~member and the member's option beneficiary, or over~~
9 ~~the life expectancy of the member or the life expectancy~~
10 ~~of the member and the member's option beneficiary.~~

11 ~~(i) For purposes of subdivision (h), "terminates~~
12 ~~employment" means the later of:~~

13 ~~(1) The date the member ceases to perform creditable~~
14 ~~service subject to coverage under this plan.~~

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

21 *SEC. 42. Section 24600 is added to the Education*
22 *Code, to read:*

23 *24600. (a) A retirement allowance under this part*
24 *begins to accrue on the effective date of the member's*
25 *retirement and ceases on the earlier of the day of the*
26 *member's death or the day on which the retirement*
27 *allowance is terminated for a reason other than the*
28 *member's death.*

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

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

38 *(d) A family allowance under this part begins to*
39 *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 payable under the plan with
32 respect to the Defined Benefit Program and the Defined
33 Benefit Supplement Program shall be made in
34 accordance with applicable provisions of the Internal
35 Revenue Code of 1986, as amended, and related
36 regulations. The required beginning date of benefit
37 payments that represent the entire interest of the
38 member in the plan with respect to the Defined Benefit
39 Program and the Defined Benefit Supplement Program
40 shall be either:



1 (1) In the case of a refund of contributions, as
2 described in Chapter 18 (commencing with Section
3 23100) of this part, and distribution of an amount equal to
4 the balance of credits in a member's Defined Benefit
5 Supplement account, as described in Chapter 38
6 (commencing with Section 25000) of this part, not later
7 than April 1 of the calendar year following the later of (A)
8 the calendar year in which the member attains 70¹/₂
9 years of age or (B) the calendar year in which the
10 member terminates employment within the meaning of
11 subdivision (i).

12 (2) In the case of a retirement allowance, as defined in
13 Section 22166, beginning not later than April 1 of the
14 calendar year following the later of (A) the calendar year
15 in which the member attains 70¹/₂ years of age or (B) the
16 calendar year in which the member terminates
17 employment within the meaning of subdivision (i), to
18 continue over the life of the member or the lives of the
19 member and the member's option beneficiary, or over
20 the life expectancy of the member or the life expectancy
21 of the member and the member's option beneficiary.

22 (i) For purposes of subdivision (h), 'terminates
23 employment' means the later of:

24 (1) The date the member ceases to perform creditable
25 service subject to coverage under this plan.

26 (2) The date the member ceases employment in a
27 position subject to coverage under another public
28 retirement system in this state if the compensation
29 earnable while a member of the other system may be
30 considered in the determination of final compensation
31 pursuant to Section 22134, 22135, or 22136.

32 (j) This section shall become operative on January 1,
33 2002.

34 SEC. 43. Section 24616 of the Education Code is
35 amended to read:

36 24616. Any overpayment made to or on behalf of any
37 member, former member, or beneficiary, including but
38 not limited to contributions, interest, benefits of any kind,
39 federal or state tax, or insurance premiums, shall be
40 deducted from any subsequent benefit that may be



1 payable under ~~this part~~ either the Defined Benefit
2 Program or the Defined Benefit Supplement Program.
3 These deductions shall be permitted concurrently with
4 any suit for restitution, and recovery of overpayment by
5 adjustment shall reduce by the amount of the recovery
6 the extent of liability for restitution.

7 SEC. 44. Section 24617 of the Education Code is
8 amended to read:

9 24617. (a) To recover an amount overpaid under this
10 part, the corrected monthly allowance payable under the
11 Defined Benefit Program or benefit payable under the
12 Defined Benefit Supplement Program may be reduced
13 by no more than 5 percent if the overpayment was due
14 to error by the system, the county superintendent of
15 schools, a school district, or a community college district,
16 and by no more than 15 percent if the error was due to
17 inaccurate information or nonsubmission of information
18 by the recipient of the allowance or benefit.

19 (b) This section shall not apply to the collection of
20 overpayments due to fraud or intentional
21 misrepresentation of facts by the recipient of the
22 allowance or benefit.

23 SEC. 45. Section 25000 of the Education Code, as
24 added by Chapter 74 of the Statutes of 2000, is amended
25 to read:

26 25000. The Defined Benefit Supplement Program is
27 hereby established to provide supplemental benefits for
28 members of the Defined Benefit Program. The Teachers'
29 Retirement Board shall administer the Defined Benefit
30 Supplement Program in accordance with the provisions
31 of this ~~chapter~~ part.

32 SEC. 46. Section 25000.5 of the Education Code, as
33 added by Chapter 74 of the Statutes of 2000, is amended
34 to read:

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



1 (a) Comply with applicable federal law and
2 regulations to the extent permitted by law.

3 (b) Adopt or amend actuarial assumptions.

4 (c) Designate the initial plan year.

5 (d) ~~Establish and revise~~ *Declare the annual* the
6 minimum interest rate.

7 (e) Declare an additional earnings credit.

8 (f) Declare an additional annuity credit.

9 *SEC. 47. Section 25001 of the Education Code, as*
10 *added by Chapter 74 of the Statutes of 2000, is amended*
11 *to read:*

12 25001. (a) The board shall establish a segregated
13 account within the retirement fund to be known as the
14 Gain and Loss Reserve, and the board shall have sole
15 authority over the reserve. The Gain and Loss Reserve
16 shall be maintained for the Defined Benefit Supplement
17 Program and may be used to credit interest at the
18 minimum interest rate for plan years in which the board
19 determines that the obligation cannot be met from
20 investment earnings. The Gain and Loss Reserve may also
21 be used to provide additions to the Annuitant Reserve for
22 monthly annuities payable under the Defined Benefit
23 Supplement Program.

24 (b) The board shall establish a goal for the balance of
25 the Gain and Loss Reserve and periodically shall review
26 the sufficiency of the reserve based on the
27 recommendations of the actuary.

28 (c) The board may allocate excess earnings of the plan
29 with respect to assets attributable to the Defined Benefit
30 Supplement Program to the Gain and Loss Reserve. *In*
31 *addition, the board may allocate any liability gains and*
32 *losses attributable to the Defined Benefit Supplement*
33 *Program to the Gain and Loss Reserve.* Upon the
34 recommendation of the actuary, the board shall
35 determine annually the amount, if any, that is to be
36 allocated to the Gain and Loss Reserve for that plan year.
37 That determination shall be made upon recommendation
38 of the actuary after adoption of the actuarial valuation
39 undertaken following the plan year pursuant to Section
40 22311.5, but no later than June 30 following the end of the



1 plan year. In determining whether to allocate excess
 2 earnings to the Gain and Loss Reserve, the board shall
 3 consider all of the following:

4 (1) Whether or not the plan has excess earnings
 5 attributable to the Defined Benefit Supplement
 6 Program.

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

9 (3) The amount required for the plan’s administrative
 10 costs with respect to the Defined Benefit Supplement
 11 Program.

12 (4) The amount required for crediting members’
 13 accounts at the minimum interest rate.

14 *(d) In determining whether to allocate liability gains*
 15 *and losses to the Gain and Loss Reserve, the board shall*
 16 *consider the matters described in paragraphs (2), (3),*
 17 *and (4) of subdivision (c).*

18 *SEC. 48. Section 25002 of the Education Code, as*
 19 *added by Chapter 74 of the Statutes of 2000, is amended*
 20 *to read:*

21 25002. The board shall establish and maintain a
 22 segregated account within the retirement fund to be
 23 known as the Annuitant Reserve and the board shall have
 24 sole authority over the reserve. The Annuitant Reserve
 25 shall be used for the payment of annuities under the
 26 Defined Benefit Supplement Program. The board shall
 27 transfer the balance of *credits* in a member’s
 28 accumulated Defined Benefit Supplement account to the
 29 reserve when a benefit is to be paid as an annuity.

30 *SEC. 49. Section 25006 of the Education Code, as*
 31 *added by Chapter 74 of the Statutes of 2000, is amended*
 32 *to read:*

33 25006. (a) The board may declare an additional
 34 earnings credit to be applied to Defined Benefit
 35 Supplement accounts for a plan year. Prior to declaring
 36 an additional earnings credit, the board shall consider all
 37 of the following:

38 (1) Whether the plan’s investment earnings with
 39 respect to the Defined Benefit Supplement Program for



1 the plan year exceed the amount required to meet the
2 liabilities identified in paragraphs (2), (3), and (4).

3 (2) The amount required for the plan year to credit
4 interest on members' nominal accounts at the minimum
5 interest rate.

6 (3) The amount of the plan's administrative expenses
7 with respect to the Defined Benefit Supplement
8 Program for the plan year.

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

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

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

29 *SEC. 50. Section 25008 of the Education Code, as*
30 *added by Chapter 74 of the Statutes of 2000, is amended*
31 *to read:*

32 25008. ~~(a)~~—A member's right to an amount equal to
33 the ~~balance of credits in the~~ member's Defined Benefit
34 Supplement account *balance* shall be vested at the time
35 contributions are initially credited to the member's
36 account.

37 ~~(b)~~—A ~~partial distribution of the amount equal to the~~
38 ~~balance of credits in a member's Defined Benefit~~
39 ~~Supplement account shall not be made, except as~~
40 ~~provided in Section 25009 or 25016.~~



1 SEC. 51. Section 25009 of the Education Code, as
2 added by Chapter 74 of the Statutes of 2000, is amended
3 to read:

4 25009. (a) A member's retirement benefit under the
5 Defined Benefit Supplement Program shall be an amount
6 equal to the balance of credits in the member's Defined
7 Benefit Supplement account on the date the retirement
8 benefit becomes payable.

9 (b) A retirement benefit shall be a lump-sum
10 payment, or an annuity payable in monthly installments,
11 or a combination of both a lump-sum payment and an
12 annuity, as elected by the member on the application for
13 a retirement benefit. *Any retirement benefit paid as an*
14 *annuity under this chapter shall be subject to Section*
15 *25011.*

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

20 SEC. 52. Section 25010 of the Education Code, as
21 added by Chapter 74 of the Statutes of 2000, is amended
22 to read:

23 25010. (a) A member who meets the following
24 eligibility requirements—~~may~~ *shall* receive a retirement
25 benefit under the Defined Benefit Supplement Program:

26 (1) The member has terminated all employment to
27 perform creditable service subject to coverage by the
28 plan. The member's employer, or employers if the
29 member has multiple employers, shall certify on a form
30 prescribed by the system that the member's employment
31 has been terminated.

32 (2) The member has retired for service under the
33 Defined Benefit Program pursuant to Chapter 27
34 (commencing with Section 24201).

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

37 SEC. 53. Section 25011 of the Education Code, as
38 added by Chapter 74 of the Statutes of 2000, is amended
39 to read:



1 25011. (a) A member may elect to receive the
2 retirement benefit as an annuity payable in monthly
3 installments, provided the balance of credits in the
4 member's Defined Benefit Supplement account on the
5 date the retirement benefit becomes payable equals at
6 least three thousand five hundred dollars (\$3,500) *after*
7 *any lump-sum payments have been made from the*
8 *account.*

9 (b) If the member elects to receive the retirement
10 benefit as an annuity, the member shall elect one of the
11 following forms of payment:

12 (1) A single life annuity without a cash refund feature.
13 This form of payment is the actuarial equivalent of the
14 amount that would be payable to the member if the
15 member elected to receive the retirement benefit in a
16 lump-sum payment. Upon the death of the member, no
17 other benefit shall be payable to the member's
18 beneficiary under the Defined Benefit Supplement
19 Program.

20 (2) A single life annuity with a cash refund feature.
21 This form of payment is the actuarial equivalent of the
22 amount that would be payable to the member if the
23 member elected to receive the retirement benefit in a
24 lump-sum payment. Upon the death of the member, an
25 amount equal to the remaining balance, if any, of credits
26 transferred from the member's Defined Benefit
27 Supplement account to the Annuitant Reserve shall be
28 returned in a lump-sum payment to the member's
29 beneficiary.

30 (3) A 100 percent joint and survivor annuity. This form
31 of payment is the actuarial equivalent of the lump-sum
32 payment modified to be payable over the combined lives
33 of the member and the member's annuity beneficiary.
34 Upon the death of the member, the same monthly
35 amount that was payable to the member shall be paid
36 monthly to the member's surviving annuity beneficiary.
37 If the annuity beneficiary predeceases the member, the
38 annuity ~~shall be~~ payable to the member ~~without~~
39 ~~modification~~ *shall be the single life annuity with a cash*
40 *refund feature that would have been payable had the*



1 *member selected that annuity at the commencement of*
2 *the benefit. That single life annuity shall be payable as of*
3 *the day following the date of the annuity beneficiary's*
4 *death upon receipt by the system of proof of the annuity*
5 *beneficiary's death.*

6 (4) A 50 percent joint and survivor annuity. This form
7 of payment is the actuarial equivalent of the lump-sum
8 payment modified to be payable over the combined lives
9 of the member and the member's annuity beneficiary.
10 Upon the death of the member, one-half of the monthly
11 amount that was payable to the member shall be paid
12 monthly to the member's surviving annuity beneficiary.
13 If the annuity beneficiary predeceases the member, the
14 annuity ~~shall be~~ payable to the member ~~without~~
15 ~~modification~~ *shall be the single life annuity with a cash*
16 *refund feature that would have been payable had the*
17 *member selected that annuity at the commencement of*
18 *the benefit. That single life annuity shall be payable as of*
19 *the day following the date of the annuity beneficiary's*
20 *death upon receipt by the system of proof of the annuity*
21 *beneficiary's death.*

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

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



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

3 *SEC. 54. Section 25012 of the Education Code, as*
4 *added by Chapter 74 of the Statutes of 2000, is amended*
5 *to read:*

6 25012. An annuity payable under the Defined Benefit
7 Supplement Program shall be determined as a value
8 actuarially equivalent to the balance of credits in the
9 member's Defined Benefit Supplement account on the
10 date the benefit becomes payable and after any
11 lump-sum payment. If a single life annuity is elected, the
12 annuity shall be calculated using the age of the member
13 on the date the benefit becomes payable. *A member may*
14 *elect a single life annuity only if the member did not elect*
15 *to receive a modified allowance pursuant to Section*
16 *24300. If a joint and survivor annuity is elected, the*
17 *annuity shall be calculated using the age of the member*
18 *and the age of the member's beneficiary on the date the*
19 *benefit becomes payable. A member may elect a joint and*
20 *survivor annuity only if the member elected to receive a*
21 *modified allowance pursuant to Section 24300.*

22 *SEC. 55. Section 25014 of the Education Code, as*
23 *added by Chapter 74 of the Statutes of 2000, is amended*
24 *to read:*

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

35 (b) ~~The actuarial equivalent of the annuity on the date~~
36 ~~the annuity is terminated shall be calculated using the~~
37 ~~actuarial assumptions that were in effect on the date the~~
38 ~~retirement annuity became payable. In determining the~~
39 ~~actuarial equivalent, the age of the member on the date~~
40 ~~the retirement annuity became payable shall be used if~~



1 ~~the member was receiving a single life annuity. If the~~
2 ~~member was receiving a joint and survivor annuity, the~~
3 ~~age of the member and the age of the member's annuity~~
4 ~~beneficiary on the date the retirement annuity became~~
5 ~~payable shall be used to determine the actuarial~~
6 ~~equivalent.~~

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

14 *SEC. 56. Section 25015 of the Education Code, as*
15 *added by Chapter 74 of the Statutes of 2000, is amended*
16 *to read:*

17 25015. (a) If a member elects to receive a benefit
18 payable under the Defined Benefit Supplement Program
19 as a joint and survivor annuity, ~~the member shall~~
20 ~~designate an annuity beneficiary on the benefit~~
21 ~~application~~ *designation of the beneficiary made pursuant*
22 *to Section 24300 shall apply to the benefit payable under*
23 *this chapter.* The annuity beneficiary designation shall
24 not be changed after the date the benefit becomes
25 payable to the member, except as provided in Chapter 12
26 (commencing with Section 22650).

27 (b) ~~A member who elects to receive a joint and~~
28 ~~survivor annuity may designate more than one annuity~~
29 ~~beneficiary.~~ If the member designates multiple annuity
30 beneficiaries *in the designation of beneficiary made*
31 *pursuant to Section 24300, the member shall specify* the
32 percentage of the annuity payable to each annuity
33 beneficiary upon the death of the member *specified in*
34 *that designation shall apply to the benefit payable under*
35 *this chapter.* The annuity amount payable to the member
36 during his or her lifetime shall be modified to be payable
37 over the combined lives of the member and the annuity
38 *beneficiary or beneficiaries.*

39 (c) If the member predeceases an annuity beneficiary,
40 the annuity beneficiary may designate a payee to receive



1 an amount that may be payable in a lump-sum pursuant
2 to Section 25023 upon the death of the annuity
3 beneficiary.

4 *SEC. 57. Section 25016 of the Education Code, as*
5 *added by Chapter 74 of the Statutes of 2000, is amended*
6 *to read:*

7 25016. (a) A member's disability benefit under the
8 Defined Benefit Supplement Program shall be an amount
9 equal to the balance of credits in the member's Defined
10 Benefit Supplement account on the date the disability
11 benefit becomes payable.

12 (b) A disability benefit shall be a lump-sum payment,
13 or an annuity payable in monthly installments, or a
14 combination of both a lump-sum payment and an
15 annuity, as elected by the member on the application for
16 a disability benefit. *Any retirement benefit paid as an*
17 *annuity under this chapter shall be subject to Section*
18 *25018.*

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

23 *SEC. 58. Section 25017 of the Education Code, as*
24 *added by Chapter 74 of the Statutes of 2000, is amended*
25 *to read:*

26 25017. (a) A member who meets the following
27 eligibility requirements ~~may~~ *shall* receive a disability
28 benefit under the Defined Benefit Supplement Program:

29 (1) The member has terminated all employment to
30 perform creditable service subject to coverage by the
31 plan. The member's employer, or employers if the
32 member has multiple employers, shall certify on a form
33 prescribed by the system that the member's employment
34 has been terminated.

35 (2) The member has been approved to receive a
36 disability allowance pursuant to Chapter 25
37 (commencing with Section 24001) or a disability
38 retirement allowance pursuant to Chapter 26
39 (commencing with Section 24100) under the Defined
40 Benefit Program.



1 (b) The member, or the member’s employer or
 2 conservator on behalf of the member, shall submit an
 3 application for a disability benefit on a form prescribed by
 4 the system.

5 *SEC. 59. Section 25018 of the Education Code, as*
 6 *added by Chapter 74 of the Statutes of 2000, is amended*
 7 *to read:*

8 25018. (a) A member may elect to receive the
 9 disability benefit as an annuity, payable in monthly
 10 installments, provided the balance of credits in the
 11 member’s Defined Benefit Supplement account on the
 12 date the disability benefit becomes payable equals at least
 13 three thousand five hundred dollars (\$3,500) *after any*
 14 *lump-sum payment has been made from this account.*

15 (b) If the member elects to receive the disability
 16 benefit as an annuity, the member shall elect one of the
 17 following forms of payment:

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

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

36 (3) A 100 percent joint and survivor annuity. This form
 37 of payment is the actuarial equivalent of the lump-sum
 38 payment modified to be payable over the combined lives
 39 of the member and the member’s annuity beneficiary.
 40 Upon the death of the member, the same monthly



1 amount that was payable to the member shall be paid
2 monthly to the member's surviving annuity beneficiary.
3 If the annuity beneficiary predeceases the member, the
4 annuity ~~shall be~~ payable to the member ~~without~~
5 ~~modification~~ *shall be the single life annuity with a cash*
6 *refund feature that would have been payable had the*
7 *member selected that annuity at the commencement of*
8 *the benefit. That single life annuity shall be payable as of*
9 the day following the date of the annuity beneficiary's
10 death upon receipt by the system of proof of the annuity
11 beneficiary's death.

12 (4) A 50 percent joint and survivor annuity. This form
13 of payment is the actuarial equivalent of the lump-sum
14 payment modified to be payable over the combined lives
15 of the member and the member's annuity beneficiary.
16 Upon the death of the member, one-half of the monthly
17 amount that was payable to the member shall be paid
18 monthly to the member's surviving annuity beneficiary.
19 If the annuity beneficiary predeceases the member, the
20 annuity ~~shall be~~ payable to the member ~~without~~
21 ~~modification~~ *shall be the single life annuity with a cash*
22 *refund feature that would have been payable had the*
23 *member selected that annuity at the commencement of*
24 *the benefit. That single life annuity shall be payable as of*
25 the day following the date of the annuity beneficiary's
26 death upon receipt by the system of proof of the annuity
27 beneficiary's death.

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



1 remaining balance of payments shall be paid to the
2 member's annuity beneficiary pursuant to Section 25022.

3 (c) The actuarial equivalent of the balance of credits
4 in the member's Defined Benefit Supplement account
5 shall reflect increases in annuity payments to be made in
6 the future pursuant to Section 24402, unless the member
7 elected a period certain annuity.

8 *SEC. 60. Section 25019 of the Education Code, as*
9 *added by Chapter 74 of the Statutes of 2000, is amended*
10 *to read:*

11 25019. (a) If a member's disability allowance or
12 disability retirement allowance under this part is
13 terminated, payment of a disability annuity based on the
14 balance of credits transferred from the member's
15 Defined Benefit Supplement account to the Annuitant
16 Reserve also shall terminate. The member's Defined
17 Benefit Supplement account shall be credited with the
18 actuarial equivalent of the member's annuity as of the
19 date the annuity is terminated and the Annuitant Reserve
20 shall be reduced by the amount credited to the member's
21 account.

22 ~~(b) The actuarial equivalent of the annuity on the date~~
23 ~~the annuity is terminated shall be calculated using the~~
24 ~~actuarial assumptions that were in effect on the date the~~
25 ~~disability annuity became payable. In determining the~~
26 ~~actuarial equivalent, the age of the member on the date~~
27 ~~the disability annuity became payable shall be used if the~~
28 ~~member was receiving a single life annuity. If the~~
29 ~~member was receiving a joint and survivor annuity, the~~
30 ~~age of the member and the age of the member's annuity~~
31 ~~beneficiary on the date the disability allowance or~~
32 ~~disability retirement allowance became payable shall be~~
33 ~~used to determine the actuarial equivalent.~~

34 ~~(c)~~ If a disability allowance or *a service or* disability
35 retirement allowance subsequently becomes payable
36 again, an annuity based on the remaining balance of
37 credits in the member's Defined Benefit Supplement
38 account at the time of the subsequent disability or *service*
39 *or* disability retirement becomes payable and the balance



1 of credits in the member's Defined Benefit Supplement
2 account shall be transferred to the Annuitant Reserve.

3 *SEC. 61. Section 25020 of the Education Code, as*
4 *added by Chapter 74 of the Statutes of 2000, is amended*
5 *to read:*

6 25020. (a) A final benefit under the Defined Benefit
7 Supplement Program shall become payable—~~to—the~~
8 ~~member's beneficiary~~ when the system receives proof of
9 the member's death.

10 (b) If the member's death occurs before an annuity
11 under the Defined Benefit Supplement Program
12 becomes payable, the final benefit shall be an amount
13 equal to the balance of credits in the member's Defined
14 Benefit Supplement account on the date of the member's
15 death.

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

20 *SEC. 62. Section 25021 of the Education Code, as*
21 *added by Chapter 74 of the Statutes of 2000, is amended*
22 *to read:*

23 25021. (a) A beneficiary, *other than an entity*, may
24 elect to receive the final benefit payable under the
25 Defined Benefit Supplement Program as an annuity
26 payable in monthly installments provided the balance of
27 credits in the member's Defined Benefit Supplement
28 account equals at least three thousand five hundred
29 dollars (\$3,500).

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

32 (1) A single life annuity without a cash refund feature.
33 This form of payment is the actuarial equivalent of the
34 amount that would be payable to the beneficiary if the
35 beneficiary elected to receive the final benefit in a
36 lump-sum payment. The annuity shall cease to be payable
37 upon the death of the beneficiary, and no other benefit
38 ~~will~~ *shall* be payable under the Defined Benefit
39 Supplement Program because of the death of the
40 member and the member's beneficiary.



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

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

19 *SEC. 63. Section 25023 of the Education Code, as*
20 *added by Chapter 74 of the Statutes of 2000, is amended*
21 *to read:*

22 25023. (a) Upon the death of an annuity beneficiary
23 who was receiving an annuity under a joint and survivor
24 annuity elected by the member no further payment shall
25 be made.

26 ~~(b) If the annuity beneficiary was receiving an annuity~~
27 ~~under a joint and survivor option, no further payment~~
28 ~~shall be made.~~

29 ~~(e)~~ Upon the death of a beneficiary who was receiving
30 a single life annuity without a cash refund feature, no
31 further payment shall be made.

32 ~~(d)~~

33 (c) Upon the death of a beneficiary who was receiving
34 a period certain annuity, *the actuarial equivalent of* the
35 remaining balance of payments shall be paid in a
36 ~~lump sum~~ *lump sum* to the payee designated by the
37 beneficiary pursuant to subdivision (c) of Section 25015.

38 *SEC. 64. Section 25024 of the Education Code, as*
39 *added by Chapter 74 of the Statutes of 2000, is amended*
40 *to read:*



1 25024. (a) Upon the termination of all employment
2 to perform creditable service subject to coverage under
3 the plan for a reason other than retirement, disability, or
4 death, a member shall be eligible for a termination
5 benefit under the Defined Benefit Supplement Program.
6 The member's employer, or employers if the member has
7 multiple employers, shall certify on a form prescribed by
8 the system that the member's employment has been
9 terminated.

10 (b) A member shall submit an application for a
11 termination benefit on a form prescribed by the system.
12 *If a member submits an application for a refund of*
13 *contributions under the Defined Benefit Program,*
14 *pursuant to Section 23103, that application shall also be*
15 *deemed an application for a termination benefit.*

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

19 (d) Upon distribution of the termination benefit, no
20 further benefit shall be payable to the member or the
21 member's beneficiary under the Defined Benefit
22 Supplement Program.

23 (e) *A partial distribution of the balance of credits in a*
24 *member's Defined Benefit Supplement account shall not*
25 *be made, except as provided in Section 25009, 25015,*
26 *25016, or 25022.*

27 *SEC. 65. Section 19.5 of this bill incorporates*
28 *amendments to Section 22652 of the Education Code*
29 *proposed by both this bill and AB 820. It shall only become*
30 *operative if (1) both bills are enacted and become*
31 *effective on or before January 1, 2001, (2) each bill*
32 *amends Section 22652 of the Education Code, and (3) this*
33 *bill is enacted after AB 820, in which case Section 19 of this*
34 *bill shall not become operative.*

35 *SEC. 66. Section 25.5 of this bill incorporates*
36 *amendments to Section 22662 of the Education Code*
37 *proposed by both this bill and AB 820. It shall only become*
38 *operative if (1) both bills are enacted and become*
39 *effective on or before January 1, 2001, (2) each bill*
40 *amends Section 22662 of the Education Code, and (3) this*



1 *bill is enacted after AB 820, in which case Section 25 of this*
2 *bill shall not become operative.*

3 *SEC. 67. The sum of \$600,000 is hereby appropriated*
4 *from the Teachers' Retirement Fund to the Teachers'*
5 *Retirement Board for the administrative costs of*
6 *implementing the provisions of Chapter 74 of the Statutes*
7 *of 2000, as amended by this act.*

8 *SEC. 68. The unexpended balance of funds*
9 *appropriated to the Teachers' Retirement Board in*
10 *Chapter 632 of the Statutes of 1999 for the payment of*
11 *administrative costs of implementing the provisions of*
12 *that act, is hereby reappropriated to the board for the*
13 *payment of administrative costs of implementing the*
14 *provisions of legislation enacted during the second year*
15 *of the 1999–2000 Session of the Legislature affecting the*
16 *State Teachers' Retirement System.*

17 *SEC. 69. The provisions of this act, other than Sections*
18 *3, 4, 8, 13, 27, 30, 31, 34, 35, 36, 37, and 68, shall become*
19 *operative only if Chapter 74 of the Statutes of 2000*
20 *becomes effective on or before January 1, 2001.*

21 *SEC. 70. The Teachers' Retirement Board shall*
22 *promptly notify the Secretary of State if and when the*
23 *condition specified in Sections 3, 4, 5, 27, 30, and 31 of this*
24 *act has been satisfied to cause those sections to become*
25 *operative on July 1, 2002.*

26 *SEC. 71. The Teachers' Retirement Board shall*
27 *promptly notify the Secretary of State if and when the*
28 *condition specified in Sections 34, 35, 36, and 37 of this act*
29 *has been satisfied to cause those sections to become*
30 *operative on July 1, 2003.*

