

Senate Bill No. 1505

Passed the Senate August 30, 2000

Secretary of the Senate

Passed the Assembly August 28, 2000

Chief Clerk of the Assembly

This bill was received by the Governor this _____ day
of _____, 2000, at _____ o'clock ____M.

Private Secretary of the Governor

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CHAPTER _____

An act to amend Sections 22141, 24410.5, 24415, and 24417 of, and to add Section 24410.6 to, the Education Code, relating to state teachers' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 1505, Burton. State Teachers' Retirement System: minimum benefits.

The Teachers' Retirement Law establishes minimum annual retirement allowance amounts that are payable to retired members, option beneficiaries, and surviving spouses who were receiving an allowance on January 1, 2000, and also provides for additional distributions to restore the purchasing power of retirement allowances to specified levels.

This bill would additionally make those minimum allowance amounts applicable to retired members, option beneficiaries, and surviving spouses who are receiving an allowance on January 1, 2001, and who meet other specified criteria, increase those minimum allowance amounts for certain other retired members, and provide that those benefits shall be initially paid on or before September 1, 2001, except as specified. The bill would also provide for additional distributions to restore the purchasing power of those minimum allowance amounts provided for in the bill , in existing law, and in AB 429, as specified.

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

SECTION 1. Section 22141 of the Education Code is amended to read:

22141. Notwithstanding Section 22140, "improvement factor" means an increase of 2 percent in benefits provided under Sections 24408 and 24409 for each year commencing on September 1, 1981, under Section 24410.5 for each year commencing on September 1, 2001, and under Sections 24410.6 and 24410.7 for each



year commencing on September 1, 2002. The factor shall not be compounded nor shall it be applicable to annuities payable from the accumulated annuity deposit contributions or the accumulated tax-sheltered annuity contributions. The Legislature reserves the right to adjust the amount of the improvement factor up or down as the economic conditions dictate. No adjustments of the improvement factor shall reduce the monthly retirement allowance or benefit below that which would be payable to the recipient under this part had this section not been enacted.

References in this section to Section 24410.7 shall be applicable only if that section is added by Assembly Bill 429 of the 1999–2000 Regular Session and becomes effective on or before January 1, 2001.

SEC. 2. Section 24410.5 of the Education Code is amended to read:

24410.5. (a) Notwithstanding any provision of this part, including, but not limited to, subdivision (e) of Section 22664, the annual allowance payable on the effective date of this section to a retired member, an option beneficiary, or a surviving spouse receiving an allowance pursuant to either Section 23805 or 23855 shall not be less than the amount identified in the following schedule for the number of years of the member's credited service under the Defined Benefit Program at the time of the member's retirement, disability, or death, excluding service credited pursuant to Sections 22714, 22715, 22717, and 22826, after the application of all allowances and allowance increases authorized by this part, including those specified in Sections 24412 and 24415, as those sections read on December 31, 1999, and excluding annuities payable from the accumulated annuity deposit contributions or the accumulated tax-sheltered annuity contributions:

20 years of credited service	\$15,000
21 years of credited service	\$15,500
22 years of credited service	\$16,000
23 years of credited service	\$16,500



24 years of credited service	\$17,000
25 years of credited service	\$17,500
26 years of credited service	\$18,000
27 years of credited service	\$18,500
28 years of credited service	\$19,000
29 years of credited service	\$19,500
30 years or more of credited service	\$20,000

(b) Notwithstanding subdivision (a), the amount identified in the schedule in subdivision (a) shall be reduced:

(1) By 50 percent for a beneficiary receiving an allowance under Option 3 or Option 7.

(2) By one-third for an option beneficiary receiving an allowance under Option 4 after the death of the member or for a member receiving an allowance under Option 4 after the death of the option beneficiary.

(3) By 50 percent for an option beneficiary receiving an allowance under Option 5 after the death of the member or for a member receiving an allowance under Option 5 after the death of the option beneficiary.

(4) By a percentage equal to 100 percent minus the percentage of the member's modified allowance received by the option beneficiary for each option beneficiary receiving an allowance under Option 8.

(5) By 60 percent for a surviving spouse receiving an allowance pursuant to subdivision (a) of Section 23805.

(6) By 50 percent for a surviving spouse receiving an allowance pursuant to subdivision (c) of Section 23805 or Section 23855.

(c) A member to whom a disability allowance is payable on January 1, 2000, who subsequently receives a service retirement allowance pursuant to Section 24213 shall, upon the retirement for service, receive an increase in the service retirement allowance pursuant to this section.

(d) A member, beneficiary, or surviving spouse may receive an allowance pursuant to this section only if the member was an active member at the time of the member's retirement, or death and, for those members

who retired for service, the member retired on or after age 55, unless the member's allowance was not subject to a reduction due to retirement prior to an age specified in this part.

(e) A retired member, option beneficiary, or surviving spouse subject to this section shall receive the annual minimum allowance pursuant to this section unless the system receives in writing, on a form prescribed by the system, notification from the member, option beneficiary, or surviving spouse before May 1, 2000, of his or her election not to receive the increase provided under this section.

(f) Benefits payable under this section shall be initially paid by the system on July 1, 2000.

SEC. 3. Section 24410.6 is added to the Education Code, to read:

24410.6. (a) Notwithstanding any provision of this part, including, but not limited to, subdivision (e) of Section 22664, and except as provided in subdivisions (b) and (c), the annual allowance payable on the effective date of this section to a retired member, an option beneficiary, or a surviving spouse receiving an allowance pursuant to either Section 23805 or 23855 shall not be less than the amount identified in the following schedule for the number of years of the member's credited service under the Defined Benefit Program at the time of the member's retirement, disability, or death, excluding service credited pursuant to Sections 22714, 22715, 22717, and 22826, after the application of all allowances and allowance increases authorized by this part, including those specified in Sections 24412 and 24415, as those sections read on December 31, 2000, and excluding annuities payable from the accumulated annuity deposit contributions or the accumulated tax-sheltered annuity contributions:

20 years of credited service	\$15,000
21 years of credited service	\$15,500
22 years of credited service	\$16,000
23 years of credited service	\$16,500



24 years of credited service	\$17,000
25 years of credited service	\$17,500
26 years of credited service	\$18,000
27 years of credited service	\$18,500
28 years of credited service	\$19,000
29 years of credited service	\$19,500
30 years or more of credited service	\$20,000

(b) Notwithstanding subdivision (a), the amount identified in the schedule in subdivision (a) shall be reduced:

(1) By 50 percent for a beneficiary receiving an allowance under Option 3 or Option 7.

(2) By one-third for an option beneficiary receiving an allowance under Option 4 after the death of the member or for a member receiving an allowance under Option 4 after the death of the option beneficiary.

(3) By 50 percent for an option beneficiary receiving an allowance under Option 5 after the death of the member or for a member receiving an allowance under Option 5 after the death of the option beneficiary.

(4) By a percentage equal to 100 percent minus the percentage of the member's modified allowance received by the option beneficiary for each option beneficiary receiving an allowance under Option 8.

(5) By 60 percent for a surviving spouse receiving an allowance pursuant to subdivision (a) of Section 23805.

(6) By 50 percent for a surviving spouse receiving an allowance pursuant to subdivision (c) of Section 23805 or Section 23855.

(c) A benefit shall be paid pursuant to this section if both of the following apply:

(1) The retired member, the option beneficiary, or the surviving spouse had an allowance payable on January 1, 2000, and was not eligible to receive a benefit pursuant to Section 24410.5.

(2) The retired member or the member whose service was the basis of the allowance payable to the option beneficiary or surviving spouse was one of the following:



(A) A member who retired prior to the age of 55 years, provided the minimum allowance specified in subdivision (a) shall be reduced to an amount equal to that minimum allowance multiplied by the ratio of the percentage of final compensation per year of credited service on which the member's initial allowance was based to 1.4.

(B) A member who was paid a retirement allowance pursuant to Section 24213, if the member's credited service, excluding service credited pursuant to Sections 22714, 22715, 22717, and 22826, was less than 20 years but whose projected service to normal retirement age, excluding service credited pursuant to Sections 22714, 22715, 22717, and 22826, was equal to or greater than 20 years, provided that the minimum allowance payable shall be based on 20 years of credited service.

(C) A member who retired as an inactive member.

(D) A member who retired prior to March 21, 1974, with 19.5 years or more of credited service, provided that the minimum allowance payable shall be based on 20 years of credited service.

(E) A member who retired on or after March 21, 1974, and prior to January 1, 2000, and whose credited service, excluding service credited pursuant to Sections 22714, 22715, 22717, and 22826, was less than 20 years, but whose credited service, excluding service credited pursuant to Sections 22714, 22715, and 22826, but including service credited pursuant to Section 22717, was equal to or greater than 20 years, provided that the minimum allowance payable shall be based on 20 years of credited service.

(F) A member whose credited service, excluding service credited pursuant to Sections 22714, 22715, and 22826, but including credited service that a court has ordered be awarded to the member's nonmember spouse pursuant to Section 22652, equaled at least 20 years, provided that the amount payable to the member pursuant to this section shall be based on the amount of service credited to the member, excluding service credited pursuant to Sections 22714, 22715, 22717, and

22826, and the amount awarded to the nonmember spouse, and further provided that the minimum allowance specified in subdivision (a) shall be reduced to an amount equal to that minimum allowance multiplied by the ratio of (i) the amount of service credited to the member, excluding service credited pursuant to Sections 22714, 22715, 22717, and 22826, to (ii) the sum of the amount of service credited to the member, excluding service credited pursuant to Sections 22714, 22715, 22717, and 22826, and the amount awarded to the nonmember spouse.

(d) A benefit shall be paid pursuant to this section to a retired member receiving a benefit pursuant to Section 24410.5 if (1) the member meets the criteria of subparagraph (F) of paragraph (2) of subdivision (c), and (2) the allowance payable under that subparagraph, after the application of all allowances and allowance increases authorized by this part, including those specified in Sections 24412 and 24415, is greater than the allowance payable under Section 24410.5, after the application of all allowances and allowance increases authorized by this part, including those specified in Sections 24412 and 24415.

(e) A retired member, option beneficiary, or surviving spouse subject to this section shall receive the annual minimum allowance pursuant to this section unless the system receives in writing, on a form prescribed by the system, notification from the member, option beneficiary, or surviving spouse of his or her election not to receive the increase provided under this section.

(f) Benefits payable under this section shall be initially paid by the system on or before September 1, 2001.

SEC. 4. Section 24415 of the Education Code is amended to read:

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



necessary to restore purchasing power up to 75 percent of the purchasing power of the initial monthly allowance after the application of all allowance increases authorized by this part, including those specified in Section 24412, but excluding those provided pursuant to Sections 22410.5, 24410.6, and 24410.7.

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

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

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

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



(f) Notwithstanding subdivision (b), for purposes of restoring the purchasing power of benefits provided pursuant to Section 24410.5 for members and beneficiaries receiving benefits pursuant to subdivision (b), the purchasing power calculation shall be based on 75 percent of the change in the All Urban California Consumer Price Index between January 2000, and June of the fiscal year preceding the fiscal year of distribution, after the application of increases authorized by Section 24412 that are made to those benefits.

(g) Notwithstanding subdivision (b), for purposes of restoring the purchasing power of benefits provided pursuant to Sections 24410.6 and 24410.7 for members and beneficiaries receiving benefits pursuant to subdivision (b), the purchasing power calculation shall be based on 75 percent of the change in the All Urban California Consumer Price Index between January 2001, and June of the fiscal year preceding the fiscal year of distribution, after the application of increases authorized by Section 24412 that are made to the allowances provided pursuant to Sections 24410.6 and 24410.7.

References in this section to Section 24410.7 shall be applicable only if that section is added by Assembly Bill 429 of the 1999–2000 Regular Session and becomes effective on or before January 1, 2001.

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

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



Section 24415, and excluding those provided pursuant to Sections 24410.5, 24410.6, and 24410.7.

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

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

(d) The benefits provided by subdivision (b) are not cumulative, nor part of the base allowance, and will be payable only to the extent that funds are available from the Supplemental Benefit Maintenance Account and the auxiliary Supplemental Benefit Maintenance Account. The board shall inform each recipient of the contents of this subdivision.

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

(f) Notwithstanding subdivision (b), for purposes of restoring the purchasing power of benefits provided pursuant to Section 24410.5 for members and beneficiaries receiving benefits pursuant to subdivision (b), the purchasing power calculation shall be based on 75 percent of the change in the All Urban California Consumer Price Index between January 2000, and June of the fiscal year preceding the fiscal year of distribution,



after the application of increases authorized by Section 24412 that are made to those benefits.

(g) Notwithstanding subdivision (b), for purposes of restoring the purchasing power of benefits provided pursuant to Sections 24410.6 and 24410.7 for members and beneficiaries receiving benefits pursuant to subdivision (b), the purchasing power calculation shall be based on 75 percent of the change in the All Urban California Consumer Price Index between January 2001, and June of the fiscal year preceding the fiscal year of distribution, after the application of increases authorized by Section 24412 that are made to the allowances provided pursuant to Sections 24410.6 and 24410.7.

References in this section to Section 24410.7 shall be applicable only if that section is added by Assembly Bill 429 of the 1999–2000 Regular Session and becomes effective on or before January 1, 2001.



Approved _____, 2000

Governor

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