

**BILL NUMBER: [AB 1824](#) (PE&R) as amended May 25, 2022**

**SUMMARY**

AB 1824 makes various technical, conforming or minor changes to the Teachers' Retirement Law to facilitate efficient administration of the State Teachers' Retirement Plan (plan), which includes the Defined Benefit (DB) Program, the Defined Benefit Supplement (DBS) Program and the Cash Balance (CB) Benefit Program. The bill also makes various technical, conforming and minor changes in the County Employees Retirement Law and Public Employees' Retirement Law.

**BOARD POSITION**

**Sponsor.** This bill will make various technical, conforming or minor amendments necessary for continued effective administration of the California State Teachers' Retirement System.

**REASON FOR THE BILL**

AB 1824 will help ensure continued effective and efficient plan administration for CalSTRS' internal and external customers.

**SUMMARY OF AMENDMENTS**

The May 25, 2022, amendments:

- Make changes to a provision of the Public Employees' Retirement Law.
- Make minor, technical corrections.

**ANALYSIS & PROGRAM BACKGROUND**

Emergency Revolving Fund Payments

*Background*

Education Code section 24602 allows the Teachers' Retirement Board to establish a special account and procedures to pay, on an emergency basis, allowances, death benefits and up to 75% of the return of the balance of an individual's accumulated retirement contributions as a result of a termination of employment or the individual's death. Payments under this special account must be paid by checks issued by the system and subject to the auditing requirements of the Controller. Payments under this account are deducted from allowances, death benefits and payment of accumulated retirement contributions otherwise due.

*Proposed*

This bill makes clear that the modifier "as a result of termination of employment or death," only applies to payments of "up to 75 percent of the return of the balance of the accumulated retirement contributions," and not to "allowances and death payments." This change is consistent with the original intent and language of the 1989 amendments adding returns of retirement contributions to the statute.

*Section affected:* 24602

### Trustee Service for Cash Balance Participants

#### *Background*

Existing law generally provides that a member of a governing body of an employer is not eligible for membership in CalSTRS by virtue of holding that position. However, an exception exists for those individuals performing the service of a trustee as defined by Education Code section 26144.5 for employers offering the CB Benefit Program. Pursuant to the process detailed in Education Code section 26403, a person who performs trustee service for such an employer can elect to participate in the CB Benefit Program. Upon its inception, service covered by this process was added to the list of creditable service activities in subdivision (b) of Education Code section 26113.

In 2015, CalSTRS sponsored a bill to clarify the types of service that should be reported to the system and specified certification qualifications and minimum standards required to perform creditable service. Because that bill clarified requirements for certification qualifications authorized by the Commission on Teacher Credentialing, trustee service was inadvertently excluded as no certification exists for trustee service.

Although CalSTRS does not have visibility of position type as part of the employer reporting process and is not aware of any issues with actively working trustees, this inconsistency could complicate application of the law.

#### *Proposed*

This bill clarifies that trustee service as defined in Education Code section 26144.5 is creditable to the CB Benefit Program when performed by a person who has elected to have such service covered through the process detailed in Education Code section 26403.

*Section affected: 26113*

### Cash Balance Termination

#### *Background*

An individual can, through various roles within their career, become both a DB member and a CB participant simultaneously. If they retire under the DB Program, they are not required to file for a retirement or termination benefit under the CB Benefit Program at the same time as their DB retirement. However, the individual may not make contributions to the fund or accrue service credit, either for the DB Program or the CB Benefit Program, pursuant to Education Code sections 24214 and 26813. Any retired member activities are also subject to the postretirement earnings limitations detailed in Education Code sections 24214 and 24214.5.

Subdivision (a) of Education Code section 26803 states that an individual, who decides to collect their CB retirement benefit, must terminate all creditable service subject to coverage by the CB Benefit Program and all service with the participant's last employer or employers that is creditable under the DB Program prior to their CB retirement date. Education Code section 27201 contains similar language for CB termination benefits. Current statute does not specify whether this requirement applies to retired member activities, creating the potential for inconsistent application of service termination requirements when applying for a CB benefit.

#### *Proposed*

This bill clarifies that the termination requirements laid out in subdivision (a) of Education Code sections 26803 and 27201 do not apply to retired member or retired participant activities. It also

makes changes to Education Code section 27201 for consistency to support electronic submission of documents to the system.

*Sections affected: 26803, 27201*

### Cash Balance Death Benefit Beneficiaries

#### *Background*

Participants in the CB Benefit Program can elect to have the remaining balance of their account paid to a beneficiary or beneficiaries of their designation. Education Code section 27100 details the types of beneficiaries eligible to receive a CB death benefit, including a person, trust or the estate of the participant.

The DBS Program, which has death benefit payment options that are functionally similar to the CB Benefit Program, further specifies in statute the option to name non-living entities, including a corporation, trust, charitable organization, parochial institution or public entity as a beneficiary for lump-sum death benefits.

While the CB Benefit Program does not specifically list these institutions as possible recipients within Education Code section 27100, the definition of “beneficiary” in Education Code section 26108 acknowledges entities, as well as a person or persons, as potential death benefit recipients.

#### *Proposed*

In line with similar provisions for the DBS Program, this bill amends Education Code section 27100 to remove the more limited list of possible beneficiaries and adds section 27101.5 to specify that CB participants can name a corporation, trust, charitable organization, parochial institution or public entity as a beneficiary for lump-sum death benefits. It also makes changes to Education Code section 27100 for consistency to support electronic submission of documents to the system.

*Sections affected: 27100, 27100.5*

## **LEGISLATIVE HISTORY**

AB 1452 (O'Donnell, Chapter 318, Statutes of 2019) codified the process by which a person performing trustee service may elect to have such service covered by the CB Benefit Program.

AB 963 (Bonilla, Chapter 782, Statutes of 2015) clarified the types of service that are creditable to CalSTRS.

AB 820 (PER&SS Committee, Chapter 1020, Statutes of 2000) established the definition of “trustee service” and the eligibility for CB election within the Education Code.

AB 1298 (Ducheny, Chapter 592, Statutes of 1995) authorized CalSTRS to establish a voluntary CB retirement plan for certificated part-time public school employees.

AB 1796 (Napolitano, Chapter 893, Statutes of 1993) recast and recodified numerous provisions within the Teachers' Retirement Law, including current Education Code section 24602.

SB 686 (Green, Chapter 327, Statutes of 1989) established a special account and procedures to pay allowances and death payments on an emergency basis.

AB 2540 (Condit, Chapter 347, Statutes of 1985) provided the board with authority to establish a separate fund for payments to members facing an emergency.

**FISCAL IMPACT**

Program Cost – None.

Administrative Costs/Savings – Minor and absorbable.

**SUPPORT**

CalSTRS (Sponsor)  
State Association of County Retirement Systems

**OPPOSITION**

None known.

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