

Introduced by Committee on Labor, Public Employment and Retirement (Senators Smallwood-Cuevas (Chair), Cortese, Durazo, and Laird)

March 4, 2025

An act to amend Sections 22104.8, 22131, 22146.5, 22713, 22954, 22955, 22955.1, 24502, 24616.2, and 26122 of the Education Code, and to amend Sections 20034, 20069, 20638, 20639, 31462.05, 31470.14, and 31680.9 of the Government Code, relating to public retirement systems.

LEGISLATIVE COUNSEL'S DIGEST

SB 853, as introduced, Committee on Labor, Public Employment and Retirement. Public employees' retirement.

(1) Existing law, the Teachers' Retirement Law, establishes the State Teachers' Retirement System (STRS) and creates the Defined Benefit Program of the State Teachers' Retirement Plan, which provides a defined benefit to members of the program, based on final compensation, creditable service, and age at retirement, subject to certain variations. STRS is administered by the Teachers' Retirement Board. Existing law requires employers and employees to make contributions to the system based on the member's creditable compensation. Existing law defines terms for the purposes of STRS.

Existing law defines "employer" or "employing agency" to mean the state or any agency or political subdivision thereof, including a joint powers authority, as specified. Existing law also defines "membership" under the Teachers' Retirement Law to mean membership in the Defined Benefit Program, except as specified.

This bill would provide that the board has final authority for determining an "employer" or "employing agency" for purposes of the

Teachers' Retirement Law and related provisions governing teachers' health care benefits. The bill would also provide that the board has final authority for determining membership in STRS, as specified.

Existing law authorizes the governing board of a school district or community college district to establish regulations, subject to specified requirements, to permit an employee who is a member of the Defined Benefit Plan to reduce their workload from full time to part time and have retirement benefits calculated as if the employee was employed full time. Existing law requires the agreement to reduce a member's workload to be terminated if one of specified actions is taken, including if the member performs less than $\frac{1}{2}$ of the days or hours the employer requires for full time in that position.

This bill would revise that provision to instead require the agreement to be terminated if the member earns less than $\frac{1}{2}$ of the annualized pay rate, as defined.

Existing law makes a continuous annual appropriation from the General Fund to the Controller for transfer to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund, as specified. Existing law requires that transfers made to that account occur on October 15 and April 15 of each fiscal year with each payment to be 50% of the annual appropriation.

This bill would provide that if either date falls on a weekend or holiday, the funds will be transferred the next business day.

Existing law also makes certain continuous annual appropriations from the General Fund to the Controller for transfer to the Teachers' Retirement Fund, as specified. Existing law requires the total amounts to be divided into 4 equal payments made on July 1, October 1, December 15, and April 15 of each fiscal year, or the following business day after.

This bill would delete the above-described reference to "on the following business day after" and would instead specify that if any of these dates fall on a weekend or holiday, the funds shall be transferred the next business day.

Existing law authorizes the Teachers' Retirement Board, in exercising its rights under the Teachers' Retirement Law, to commence or prosecute actions, file liens, intervene in court proceedings, and take related legal actions.

This bill would provide that the superior court of any county within California where venue would be proper or the Superior Court of the County of Sacramento shall have jurisdiction of, and is the appropriate

venue for, any suit, action, or legal proceedings relating to the subrogation rights of STRS under the Teachers' Retirement Law.

Existing law establishes procedures governing the recovery of amounts that have been overpaid due to an error by STRS and requires recovery with interest, as specified. Existing law requires a specified amount to be made as a continuous appropriation from the General Fund to the Controller each July 1, for transfer to the Teachers' Retirement Fund.

This bill would provide that if July 1 falls on a weekend or holiday, those funds shall be transferred the next business day.

(2) Existing law, the State Teachers' Retirement System Cash Balance Plan, prescribes retirement, disability, and death benefits for part-time educational employees and provides for the administration and operation of the plan. Existing law defines "employer" for purposes of those provisions to mean a school district, community college district, or county office of education that has elected to provide the benefits of that law to persons employed to perform creditable service.

This bill would provide that the Teachers' Retirement Board has final authority for determining an "employer" for purposes of that law.

(3) Existing law, the Public Employees' Retirement Law (PERL), creates the Public Employees' Retirement System (PERS) for the purpose of providing pension benefits to state employees and employees of contracting agencies and prescribes the rights and duties of members of the system and their beneficiaries. Existing law vests management and control of PERS in its board of administration. PERS provides a defined benefit to members of the program, based on final compensation, credited service, and age at retirement, subject to certain variations.

Existing law, the California Public Employees' Pension Reform Act of 2013 (PEPRA), on and after January 1, 2013, requires a public retirement system, as defined, to modify its plan or plans to comply with PEPRA, as specified. Among other things, PEPRA prohibits a public employer from offering a defined benefit pension plan exceeding specified retirement formulas and requires new members of public retirement systems to contribute at least a specified amount of the normal cost, as defined. PEPRA defines "pensionable compensation" for a new member of any public retirement system to mean the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis, as specified.

Under PERL, the highest annual average compensation during any consecutive 12- or 36-month period of employment as a member of a

retirement system maintained by the University of California is considered compensation earnable by a member of PERS for purposes of computing final compensation for the member providing that member retires concurrently under both systems.

This bill would instead specify that the highest annual average compensation in the above-described circumstances shall be considered compensation earnable or pensionable compensation pursuant to PEPPRA, whichever is applicable.

PERL defines “state service” solely for purposes of qualification for benefits and retirement allowances under PERS to also include service rendered as an officer or employee of a county if the salary for the service constitutes compensation earnable by a member of PERS, as prescribed.

This bill would instead provide that “state service” in the above-described circumstances shall be considered compensation earnable or pensionable compensation pursuant to PEPPRA, whichever is applicable.

PERL also provides that the highest annual compensation during any 12- or 36-month period of employment as a member of a county retirement system is considered compensation earnable by a member of PERS for purposes of computing final compensation, as prescribed.

This bill would instead specify that the highest annual average compensation in the above-described circumstances shall be considered compensation earnable or pensionable compensation pursuant to PEPPRA, whichever is applicable.

Under PERL, the compensation during any period of service as a member of the Judges’ Retirement System, the Judges’ Retirement System II, the Legislators’ Retirement System, or the Defined Benefit Program of the State Teachers’ Retirement Plan is considered compensation earnable as a member of PERS for purposes of computing final compensation for the member, if that member retires concurrently under both systems.

This bill would instead specify that the compensation during any period of service, as described above, is considered compensation earnable or pensionable compensation under PEPPRA, whichever is applicable, for purposes of computing final compensation.

(4) Existing law, the County Employees Retirement Law of 1937 (CERL), authorizes counties to establish retirement systems pursuant to its provisions in order to provide pension benefits to county, city, and district employees and their beneficiaries. Under existing law,

CERL provides for a defined retirement benefit based upon credited service, final compensation, and age at retirement subject to specified formulas relating to membership classification.

Existing law provides that, for a member who is subject to PEPRA, a specified definition of “final compensation” contained in that law applies for all or any portion of their membership in the county retirement system. Existing law provides that when determining final compensation for a member who does not have 3 consecutive years of earned pensionable compensation due to an absence, the compensation for any absence is based on the pensionable compensation of the position held by the member immediately prior to the absence.

This bill would delete that latter provision. The bill would revise the above provision concerning PEPRA to specify that the compensation for any absence is based on the pensionable compensation of the position held by the member at the beginning of the absence.

Existing law provides that local prosecutors, local public defenders, and local public defender investigators are eligible to participate in CERL, as specified. Under existing law, past service as a general member is required to be converted to safety service if the past service was rendered in a position that has subsequently been reclassified as a safety position pursuant to that provision.

This bill would revise that provision to specify that it applies to service before January 1, 2013. The bill would specify that on and after January 1, 2013, any enhancement to safety service is subject to a provision of PEPRA governing the retirement formulas and benefits of all public employees.

Existing law prohibits a person who has been retired under CERL from being employed in any capacity thereafter by a county or district of the retirement system unless the person has first been reinstated from retirement or is authorized under CERL or PEPRA. Existing law provides that if an employer fails to enroll, solely for the administrative recordkeeping purposes of the system, a retired member employed in any capacity, without reinstatement, within 30 days of the effective date of hire, the board may assess the employer a fee of \$200 per retired member per month until the retired member is enrolled in those administrative aspects of the system.

This bill would instead provide that if an employer fails to report the above-described information, in a format determined by the system, and within the above-described timeframe, the board may assess that \$200 fee until the information is reported.

Existing law also authorizes the board to assess the employer a fee of \$200 per retired member per month if an employer fails to report the pay rate and number of hours worked by a retired member, without reinstatement, within 30 days following the last day of the pay period in which the retired member worked.

This bill would delete the 30-day period described above and instead would replace it with “at periods determined by the system.”

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

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

1 SECTION 1. Section 22104.8 of the Education Code, as added
2 by Section 2 of Chapter 690 of the Statutes of 2024, is amended
3 to read:

4 22104.8. (a) “Annualized pay rate” means the salary, as
5 described in Section 22119.3, a person could earn during a school
6 term in ~~a~~ *each* position subject to membership if creditable service
7 were performed for that position on a full-time basis.

8 (b) The annualized pay rate shall be determined pursuant to the
9 publicly available pay schedule by using either of the following
10 methods:

11 (1) Explicitly itemized as a single amount, either separately or
12 within a table.

13 (2) Derived from an explicit hourly or daily rate multiplied by
14 the total hours or days required in order to be employed in the
15 position subject to membership on a full-time basis pursuant to
16 Section 22138.5. If the total hours or days required to be employed
17 on a full-time basis is not established, the number of hours or days
18 shall be the minimum standard described in Section 22138.5.

19 (c) If no annualized pay rate exists pursuant to subdivision (b)
20 for a position subject to membership, all compensation earned in
21 that position shall be deemed “supplemental pay” pursuant to
22 paragraph (2) of subdivision (a) of Section 22119.3.

23 (d) This definition of “annualized pay rate” is consistent with
24 subdivision (e) of Section 22115.

25 (e) (1) The board shall determine a date based on when the
26 system has the capacity to implement the changes made by the act
27 that added this subdivision. The date determined by the board shall

1 be posted on the internet website of the system no later than July
2 1, 2027.

3 (2) This section shall become operative on the date determined
4 by the board pursuant to paragraph (1).

5 SEC. 2. Section 22131 of the Education Code is amended to
6 read:

7 22131. (a) (1) “Employer” or “employing agency” means the
8 state or any agency or political subdivision thereof, including, but
9 not limited to, a joint powers authority, for which creditable service
10 subject to coverage by the plan is performed.

11 (2) In the case of a joint powers authority, all of the following
12 criteria shall be met:

13 (A) The joint powers authority shall be formed pursuant to the
14 Joint Exercise of Powers Act (Chapter 5 (commencing with Section
15 6500) of Division 7 of Title 1 of the Government Code).

16 (B) All entities included in the joint powers authority shall be
17 entities at which creditable service subject to coverage by the plan
18 is performed.

19 (C) The joint powers authority shall report through a single
20 county office of education, with that county superintendent having
21 responsibility for activities specified under this part, including but
22 not limited to, reporting and remitting contributions.

23 (b) This section shall be administered in compliance with the
24 requirements defining a governmental plan set forth in Section
25 414(d) of the Internal Revenue Code of 1986 (26 U.S.C. Sec.
26 414(d)).

27 (c) *The board shall have final authority for determining an*
28 *“employer” or “employing agency” for purposes of this part and*
29 *Part 13.5 (commencing with Section 25900).*

30 SEC. 3. Section 22146.5 of the Education Code is amended to
31 read:

32 22146.5. “Membership” means membership in the Defined
33 Benefit Program, except as otherwise specifically provided in this
34 part. *The board shall have final authority for determining*
35 *membership in the system, considering the conditions under which*
36 *persons may be admitted to and receive benefits from the system.*

37 SEC. 4. Section 22713 of the Education Code is amended to
38 read:

39 22713. (a) Notwithstanding any other provision of this chapter,
40 if the governing board of a school district or a community college

1 district, or a county superintendent of schools establishes
2 regulations pursuant to Sections 44922 and 87483, an employer
3 may enter into a written agreement with an employee who is a
4 member of the Defined Benefit Program to reduce ~~his or her~~ *their*
5 workload in a position from full time to part time, receive the
6 service credit the member would have received if the member had
7 been employed in that position on a full-time basis and have ~~his~~
8 ~~or her~~ *their* retirement allowance, as well as other benefits that the
9 member is entitled to under this part, based, in part, on the final
10 compensation the member would have been entitled to if the
11 member had been employed on a full-time basis. The option to
12 reduce the member's workload shall be exercised at the request
13 of the member if all of the following conditions are met:

14 (1) The member is employed by either of the following:

15 (A) A school district or county office of education as a
16 prekindergarten through grade 12 certificated employee who does
17 not hold a position with a salary above the maximum salary of a
18 school principal for that employer.

19 (B) A community college district.

20 (2) The member has a minimum of 10 years of credited service
21 in the Defined Benefit Program prior to the start of the school term
22 of the first school year of the agreement to reduce the member's
23 workload.

24 (3) The member shall have been employed on a full-time basis
25 to perform creditable service under the Defined Benefit Program
26 each year of the five school years immediately preceding the first
27 school year in which the member's workload is reduced, without
28 having a break in service. For the purposes of this paragraph:

29 (A) Employer-approved leaves of absence, and unpaid absences
30 from the performance of creditable service for personal reasons
31 from full-time employment do not constitute a break in service.

32 (B) Creditable service that was performed for a school year in
33 which a member reduced ~~his or her~~ *their* workload pursuant to this
34 section shall be treated as full time, provided that the agreement
35 to reduce the member's workload was not terminated during that
36 year pursuant to subdivision (e).

37 (C) The period of time during which a member is retired for
38 service shall constitute a break in service.

1 (4) The member is 55 years of age or older prior to the start of
2 the school term of the first school year of the agreement for which
3 the member's workload is reduced.

4 (b) The employer, in conjunction with the system, shall certify
5 the member's eligibility for participation in the reduced workload
6 program in accordance with subdivision (a). The employer's
7 certification shall be submitted in a format prescribed by the system
8 and shall be received in the system's headquarters office prior to
9 the start of the school term of the first school year of the agreement
10 for which the member's workload is reduced.

11 (c) The agreement to reduce the member's workload shall be
12 in effect prior to the start of the school term of the first school year
13 of the agreement for which the member's workload is reduced,
14 and shall include the following requirements:

15 (1) The total amount of time in which a member reduces ~~his or~~
16 ~~her~~ *their* workload pursuant to this section shall not exceed 10
17 school years.

18 (2) The reduced workload shall be equal to at least one-half of
19 the time the employer requires for full-time employment in that
20 position in accordance with Section 22138.5.

21 (3) The member shall be paid creditable compensation that is
22 the pro rata share of the creditable compensation the member would
23 have been paid for that position had the member not reduced ~~his~~
24 ~~or her~~ *their* workload.

25 (4) For each school year the member's workload is reduced
26 pursuant to this section, the member shall make contributions to
27 the Teachers' Retirement Fund in the amount that the member
28 would have contributed if the member had performed creditable
29 service for that position on a full-time basis and if that service was
30 subject to coverage under the Defined Benefit Program.

31 (5) For each school year the member's workload is reduced
32 pursuant to this section, the employer shall contribute to the
33 Teachers' Retirement Fund at a rate adopted by the board as a plan
34 amendment with respect to the Defined Benefit Program an amount
35 based upon the creditable compensation that would have been paid
36 to the member if the member had performed creditable service for
37 that position on a full-time basis and if that service was subject to
38 coverage under the Defined Benefit Program.

(d) The employer shall maintain the necessary records to separately identify each member who participates in the reduced workload program pursuant to this section.

(e) The agreement to reduce a member's workload shall be terminated if one of the following actions is taken:

(1) The member's employment is terminated prior to the end of the school term.

(2) The member ~~performs~~ *earns* less than one-half of the ~~days or hours the employer requires for full time in that position pursuant to Section 22138.5: annualized pay rate as defined in Section 22104.8.~~

(3) The member and the employer mutually agree that the member will perform creditable service without making contributions in accordance with paragraphs (4) and (5) of subdivision (c).

(f) Upon termination of the agreement for any of the reasons described in subdivision (e):

(1) The employer shall notify the system that the agreement to reduce a member's workload has been terminated within 30 days of the agreement being terminated.

(2) The member's service credit and contributions for that school year in which the agreement is terminated shall be computed in accordance with Section 22701 and Chapters 15 and 16.

(3) That school year in which the agreement is terminated shall not be included in the total amount of time in which a member is allowed to reduce ~~his or her~~ *their* workload pursuant to paragraph (1) of subdivision (c).

(4) Any subsequent agreement to reduce a member's workload shall meet all of the conditions set forth in this section.

SEC. 5. Section 22954 of the Education Code is amended to read:

22954. (a) Notwithstanding Section 13340 of the Government Code, a continuous appropriation is hereby annually made from the General Fund to the Controller, pursuant to this section, for transfer to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund.

(b) Except as reduced pursuant to subdivision (c), the total amount of the appropriation for each year shall be equal to 2.5 percent of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which

members' contributions are based for purposes of funding the supplemental payments authorized by Section 24415, as reported annually to the Director of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Legislative Analyst pursuant to Section 22955.5.

(c) Beginning with the 2008–09 fiscal year, the appropriation in subdivision (b) shall be reduced in accordance with the following schedule:

2008–09.....	\$66,386,000
2009–10.....	\$70,000,000
2010–11.....	\$71,000,000
2011–12 and each fiscal year thereafter.....	\$72,000,000

(d) Transfers made to the Supplemental Benefit Maintenance Account, pursuant to subdivision ~~(a)~~ (a), shall be made on October 15 and April 15 of each fiscal year with each payment to be 50 percent of the annual appropriation. *If either date falls on a weekend or holiday, the funds shall be transferred the next business day.*

(e) Notwithstanding subdivision (d), for the 2010–11 fiscal year only, the transfer that would have been made pursuant to subdivision (d) on October 15, 2010, shall be made on November 15, 2010, and the transfer that would have been made pursuant to subdivision (d) on April 15, 2011, shall be made on March 14, 2011.

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

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

SEC. 6. Section 22955 of the Education Code is amended to read:

1 22955. (a) Notwithstanding Section 13340 of the Government
2 Code, commencing July 1, 2003, a continuous appropriation is
3 hereby annually made from the General Fund to the Controller,
4 pursuant to this section, for transfer to the Teachers' Retirement
5 Fund. The total amount of the appropriation for each year shall be
6 equal to 2.017 percent of the total of the creditable compensation
7 of the fiscal year ending in the immediately preceding calendar
8 year upon which members' contributions are based, as reported
9 annually to the Director of Finance, the Chairperson of the Joint
10 Legislative Budget Committee, and the Legislative Analyst
11 pursuant to Section 22955.5, and shall be divided into four equal
12 payments. The payments shall be made ~~on, or the following~~
13 ~~business day after, on~~ July 1, October 1, December 15, and April
14 15 of each fiscal year. *If any of these dates fall on a weekend or*
15 *holiday, the funds shall be transferred the next business day.*

16 (b) Notwithstanding Section 13340 of the Government Code,
17 commencing October 1, 2003, a continuous appropriation, in
18 addition to the appropriation made by subdivision (a), is hereby
19 annually made from the General Fund to the Controller for transfer
20 to the Teachers' Retirement Fund. The total amount of the
21 appropriation for each year shall be equal to 0.524 percent of the
22 total of the creditable compensation of the fiscal year ending in
23 the immediately preceding calendar year upon which members'
24 contributions are based, as reported annually to the Director of
25 Finance, the Chairperson of the Joint Legislative Budget
26 Committee, and the Legislative Analyst pursuant to Section
27 22955.5, and shall be divided into four equal quarterly payments.
28 The percentage shall be adjusted to reflect the contribution required
29 to fund the normal cost deficit or the unfunded obligation as
30 determined by the board based upon a recommendation from its
31 actuary. If a rate increase is required, the adjustment may be for
32 no more than 0.25 percent per year and in no case may the transfer
33 made pursuant to this subdivision exceed 1.505 percent of the total
34 of the creditable compensation of the fiscal year ending in the
35 immediately preceding calendar year upon which members'
36 contributions are based. At any time when there is neither an
37 unfunded obligation nor a normal cost deficit, the percentage shall
38 be reduced to zero. The funds transferred pursuant to this
39 subdivision shall first be applied to eliminating on or before June

1 30, 2027, the unfunded actuarial liability of the fund identified in
2 the actuarial valuation as of June 30, 1997.

3 (c) For the purposes of this section, the term “normal cost
4 deficit” means the difference between the normal cost rate as
5 determined in the actuarial valuation required by Section 22311
6 and the total of the member contribution rate required under Section
7 22901 and the employer contribution rate required under Section
8 22950, and shall exclude (1) the portion for unused sick leave
9 service credit granted pursuant to Section 22717, and (2) the cost
10 of benefit increases that occur after July 1, 1990. The contribution
11 rates prescribed in Section 22901 and Section 22950 on July 1,
12 1990, shall be utilized to make the calculations. The normal cost
13 deficit shall then be multiplied by the total of the creditable
14 compensation upon which member contributions under this part
15 are based to determine the dollar amount of the normal cost deficit
16 for the year.

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

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

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

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

32 (h) Subdivisions (a) through (g), inclusive, shall be inoperative
33 on and after July 1, 2014, and shall become operative beginning
34 the earlier of July 1, 2046, or July 1 of the first fiscal year after a
35 30-day notice has been sent to the Joint Legislative Budget
36 Committee and the Controller in compliance with subdivision (d)
37 of Section 22957.

38 SEC. 7. Section 22955.1 of the Education Code is amended to
39 read:

1 22955.1. (a) Notwithstanding Section 13340 of the
2 Government Code, commencing July 1, 2003, a continuous
3 appropriation is hereby annually made from the General Fund to
4 the Controller, pursuant to this section, for transfer to the Teachers'
5 Retirement Fund. The total amount of the appropriation for each
6 year shall be equal to 2.017 percent of the total of the creditable
7 compensation of the fiscal year ending in the immediately
8 preceding calendar year upon which members' contributions are
9 based, as reported annually to the Director of Finance, the
10 Chairperson of the Joint Legislative Budget Committee, and the
11 Legislative Analyst pursuant to Section 22955.5, and shall be
12 divided into four equal payments. The payments shall be made ~~on,~~
13 ~~or the following business day after,~~ on July 1, October 1, December
14 15, and April 15 of each fiscal year. *If any of these dates fall on a*
15 *weekend or holiday, the funds shall be transferred the next business*
16 *day.*

17 (b) (1) Commencing July 1, 2014, the amount of the
18 appropriation required under subdivision (a) shall increase by the
19 following percentages of the creditable compensation upon which
20 that appropriation is based:

21 (A) On July 1, 2014, by 1.437 percent.

22 (B) On July 1, 2015, by 2.874 percent.

23 (C) On July 1, 2016, by 4.311 percent.

24 (2) Except as provided in paragraph (3), for the 2017–18 fiscal
25 year and each fiscal year thereafter, the board shall increase or
26 decrease the percentage specified in this subdivision from the
27 percentage paid during the prior fiscal year to reflect the
28 contribution required to eliminate the remaining unfunded actuarial
29 obligation, as determined by the board based upon a
30 recommendation from its actuary. If a rate increase is required,
31 the adjustment may be for no more than 0.50 percent per year of
32 the total of the creditable compensation of the fiscal year ending
33 in the immediately preceding calendar year upon which members'
34 contributions are based. At any time when there is not an unfunded
35 actuarial obligation as determined by the board, the percentage
36 specified in this subdivision shall be reduced to zero.

37 (3) For the 2020–21 fiscal year, the percentage specified in this
38 subdivision shall be the percentage set by the board pursuant to
39 paragraph (2) for the 2019–20 fiscal year, and the board shall not
40 increase or decrease the percentage specified in this paragraph for

1 the 2020–21 fiscal year. This paragraph does not prevent payments
2 towards the unfunded actuarial obligation from being made from
3 other sources of funding, including, but not limited to, other sources
4 in the General Fund.

5 (c) Pursuant to Section 22001 and case law, members are entitled
6 to a financially sound retirement system. It is the intent of the
7 Legislature that this section shall provide the retirement fund stable
8 and full funding over the long term.

9 (d) This section continues in effect but in a somewhat different
10 form, fully performs, and does not in any way unreasonably impair,
11 the contractual obligations determined by the court in California
12 Teachers Association v. Cory (1984) 155 Cal.App.3d 494.

13 (e) Subdivision (b) shall not be construed to be applicable to
14 any unfunded actuarial obligation resulting from any benefit
15 increase or change in contribution rate under this part that occurs
16 after July 1, 1990, except that state contributions made pursuant
17 to subdivision (b) shall be allocated to reduce the unfunded
18 actuarial obligation resulting from the benefits and contribution
19 rates in effect as of July 1, 1990.

20 (f) The provisions of this section shall be construed and
21 implemented to be in conformity with the judicial intent expressed
22 by the court in California Teachers Association v. Cory (1984)
23 155 Cal.App.3d 494.

24 (g) (1) Except as described in paragraph (2), this section shall
25 become inoperative on July 1, 2046, and as of January 1, 2047, is
26 repealed.

27 (2) Notwithstanding paragraph (1), on July 1 of the first fiscal
28 year after a 30-day notice has been sent to the Joint Legislative
29 Budget Committee and the Controller in compliance with
30 subdivision (d) of Section 22957, this section shall become
31 inoperative and, as of the following January 1, is repealed.

32 SEC. 8. Section 24502 of the Education Code is amended to
33 read:

34 24502. In the exercise of its rights under this part, the board
35 or the agent under contract may commence or prosecute actions,
36 file liens, intervene in court proceedings, join parties to the action
37 and consolidate actions all in the same manner and to the same
38 extent provided in Chapter 5 (commencing with Section 3850) of
39 Part 1 of Division 4 of the Labor Code except that recovery shall
40 not be made from benefits payable under this part because of the

1 injury or death. *The superior court of any county within California*
2 *where venue would be proper or the Superior Court of the County*
3 *of Sacramento shall have jurisdiction of, and shall be the*
4 *appropriate venue for, any suit, action, or legal proceedings*
5 *relating to the subrogation rights of STRS under this part.*

6 SEC. 9. Section 24616.2 of the Education Code is amended to
7 read:

8 24616.2. (a) Except as limited pursuant to Section 22008:

9 (1) All amounts that have been overpaid due to inaccurate
10 information, untimely submission, nonsubmission of information,
11 or on the basis of fraud or intentional misrepresentation by, or on
12 behalf of, a recipient of a benefit, annuity, or refund shall be
13 recovered, as applicable, from the member, participant, former
14 member, former participant, or beneficiary. This paragraph
15 excludes amounts overpaid pursuant to paragraph (2), (3), or (4).

16 (2) All amounts that have been overpaid due to inaccurate
17 information, untimely submission, or nonsubmission of information
18 by an employer that reports directly to the system shall be
19 recovered, as applicable, from that employer.

20 (3) All amounts that have been overpaid due to inaccurate
21 information, untimely submission, or nonsubmission of information
22 by a county superintendent of schools that reports directly to the
23 system on behalf of an employer shall be recovered, as applicable,
24 from that county superintendent of schools. If the overpayment
25 resulted from an error of an employer, the county superintendent
26 of schools may recover the amounts required from that employer
27 pursuant to Section 23012.

28 (A) If the county superintendent of schools provided notice to,
29 and received consent from, an employer to submit that employer's
30 monthly report, inclusive of any modifications by the county
31 superintendent of schools on behalf of the employer, an
32 overpayment due to inaccurate information shall be considered an
33 error of that employer.

34 (B) If the untimely submission or nonsubmission of information
35 was the result of the employer's untimely submission or
36 nonsubmission of information, the overpayment shall be considered
37 an error of the employer.

38 (4) (A) All amounts that have been overpaid due to an error by
39 the system shall be recovered, with interest as specified in
40 subparagraph (B), as follows:

1 (i) Commencing July 1, 2024, 85 percent of this amount
2 resulting from benefit adjustments that take place within the fiscal
3 year ending in the immediately preceding calendar year, the
4 specific amount of which shall be determined by the board, shall
5 be made as a continuous appropriation from the General Fund to
6 the Controller each July 1 for transfer to the Teachers' Retirement
7 Fund. *If July 1 falls on a weekend or holiday, the funds shall be*
8 *transferred the next business day.*

9 (ii) Commencing July 1, 2024, 15 percent of this amount
10 resulting from benefit adjustments that take place within the fiscal
11 year ending in the immediately preceding calendar year, the
12 specific amount of which shall be determined by the board, shall
13 be recovered from all employers that report directly to the system
14 in amounts proportionate to their share of contributions for that
15 fiscal year, including the contributions of those employers for
16 whom a county superintendent of schools reports. A county
17 superintendent of schools that reports directly to the system on
18 behalf of employers may recover amounts proportionate to each
19 employer's share of contributions for that fiscal year from those
20 employers pursuant to Section 23012.

21 (B) The amount to be recovered in accordance with
22 subparagraph (A) shall be calculated to include regular interest
23 from the date of the overpayment to the date of recovery.

24 (b) (1) An employer shall remit any amount required to be paid
25 to the system pursuant to this section within 30 days of the date
26 of the invoice. If the system does not receive payment within 30
27 days, the amount owed to the system shall be recalculated to
28 include regular interest from the initial due date.

29 (2) If a payment pursuant to paragraph (1) is not received within
30 30 days of the date of invoice, the Controller shall, upon the order
31 of the board, reduce subsequent payments from the State School
32 Fund to the county for deposit in the county school service fund
33 by the amount owed or, upon the request of a county superintendent
34 of schools to the county auditor, the Controller shall reduce
35 payments to a school district for deposit in the district general fund
36 by the amount owed. The Controller shall then pay to the system
37 the amount owed for deposit in the Teachers' Retirement Fund.

38 (c) Determination of an amount that has been overpaid shall be
39 provided in writing by the system to the party responsible for the
40 overpayment pursuant to subdivision (a). The system shall identify

1 the error, document the source of the error, and specify the total
2 amount overpaid due to the error.

3 (d) This section shall not apply to a recovery made under Section
4 24015, 24016, or 24017 or to a benefit or allowance reduction
5 required pursuant to Section 24010, 24109, 24114, 24201.5, 24214,
6 or 24214.5.

7 (e) Except as explicitly provided by its provisions, this section
8 shall not be interpreted to limit the system's authority to correct
9 benefits.

10 SEC. 10. Section 26122 of the Education Code is amended to
11 read:

12 26122. (a) "Employer" means a school district, community
13 college district, or county office of education that has elected to
14 provide the benefits of this part to persons employed to perform
15 creditable service. "Employer" shall not include the state.

16 (b) *The board shall have final authority for determining an*
17 *"employer" for purposes of this part.*

18 SEC. 11. Section 20034 of the Government Code is amended
19 to read:

20 20034. The highest annual average compensation during any
21 consecutive 12- or 36-month period of employment as a member
22 of any retirement system maintained by the university shall be
23 considered compensation *earnable or pensionable compensation*
24 *pursuant to Section 7522.34, whichever is applicable*, by a member
25 of this system for purposes of computing final compensation for
26 the member providing ~~he or she~~ *the member* retires concurrently
27 under both systems.

28 SEC. 12. Section 20069 of the Government Code is amended
29 to read:

30 20069. (a) "State service" means service rendered as an
31 employee or officer (employed, appointed, or elected) of the state,
32 the California Institute for Regenerative Medicine and the officers
33 and employees of its governing body, the university, a school
34 employer, or a contracting agency, for compensation, and only
35 ~~while he or she is~~ receiving compensation from that employer
36 therefor, except as provided in Article 4 (commencing with Section
37 20990) of Chapter 11.

38 (b) "State service," solely for purposes of qualification for
39 benefits and retirement allowances under this system, shall also
40 include service rendered as an officer or employee of a county if

1 the salary for the service constitutes compensation earnable *or*
2 *pensionable compensation pursuant to Section 7522.34, whichever*
3 *is applicable*, by a member of this system under Section 20638.

4 (c) "State service," except for purposes of qualification for
5 health or dental benefits, shall also include compensated service
6 rendered by an officer, warrant officer, or a person of the enlisted
7 ranks of the California National Guard who has elected to become
8 a member pursuant to Section 20326 and who has not canceled
9 ~~his or her~~ *their* membership pursuant to Section 20327.

10 SEC. 13. Section 20638 of the Government Code is amended
11 to read:

12 20638. The highest annual average compensation during any
13 consecutive 12- or 36-month period of employment as a member
14 of a county retirement system shall be considered compensation
15 earnable *or pensionable compensation pursuant to Section 7522.34,*
16 *whichever is applicable*, by a member of this system for purposes
17 of computing final compensation for the member provided:

18 (a) (1) Entry into employment in which ~~he or she~~ *the person*
19 became a member in one system occurred on or after October 1,
20 1957, and within 90 days of discontinuance of employment as a
21 member of the other system.

22 (2) This subdivision shall not deny the benefit of this section to
23 any person retiring after October 1, 1963, who entered membership
24 prior to October 1, 1957, if ~~he or she~~ *the person* entered the
25 employment in which ~~he or she~~ *they* became a member within 90
26 days of termination of employment in which ~~he or she~~ *was they*
27 *were* a member of the other system, and ~~he or she~~ *they* became a
28 member within seven months of entry into employment, or, if an
29 employee of a district as defined in Section 31468, became a
30 member at the time the district was included in a county retirement
31 system.

32 (b) ~~He or she~~ *The member* retires concurrently under both
33 systems and is credited with the period of service under the county
34 system at the time of retirement.

35 SEC. 14. Section 20639 of the Government Code is amended
36 to read:

37 20639. The compensation earnable during any period of service
38 as a member of the Judges' Retirement System, the Judges'
39 Retirement System II, the Legislators' Retirement System, or the
40 Defined Benefit Program of the State Teachers' Retirement Plan

1 shall be considered compensation *earnable or pensionable*
2 *compensation pursuant to Section 7522.34, whichever is*
3 *applicable*, as a member of this system for purposes of computing
4 final compensation for the member, ~~if he or she~~ *the member* retires
5 concurrently under both systems.

6 A member shall be deemed to have retired concurrently under
7 this system and under the Defined Benefit Program of the State
8 Teachers' Retirement Plan, if the member is enrolled as a disabled
9 member under the Defined Benefit Program of the State Teachers'
10 Retirement Plan and for retirement under this system on the same
11 effective date.

12 SEC. 15. Section 31462.05 of the Government Code is amended
13 to read:

14 31462.05. (a) For a member who is subject to the California
15 Public Employees' Pension Reform Act of 2013 (Article 4
16 (commencing with Section 7522) of Chapter 21 of Division 7 of
17 Title 1) for all or any portion of their membership in the county
18 retirement system, "final compensation" as defined in Section
19 7522.32 shall apply. *The computation for any absence shall be*
20 *based on the pensionable compensation of the position held by the*
21 *member at the beginning of the absence.*

22 (b) If a member has less than three years of service, that
23 member's final compensation shall be determined by dividing the
24 total pensionable compensation by the number of months of service
25 credited to the member and multiplying by 12.

26 ~~(c) When determining final compensation for a member who~~
27 ~~does not have three consecutive years of earned pensionable~~
28 ~~compensation due to an absence, the compensation for any absence~~
29 ~~shall be based on the pensionable compensation of the position~~
30 ~~held by the member immediately prior to the absence.~~

31 SEC. 16. Section 31470.14 of the Government Code is amended
32 to read:

33 31470.14. (a) Local prosecutors, local public defenders, and
34 local public defender investigators are eligible.

35 (b) Except as provided in subdivision (c) and notwithstanding
36 Sections 31639.7 and 31639.75, past service as a general member
37 shall be converted to safety service if the past service was rendered
38 in a position that has subsequently been reclassified as a safety
39 position pursuant to this ~~section~~. *section before January 1, 2013.*
40 *On or after January 1, 2013, any enhancement to safety service*

1 *shall be subject to Section 7522.44.* For local prosecutors, as
2 described in paragraph (2) of subdivision (a) of Section 31469.2,
3 service in the office of a district attorney and a local child support
4 agency shall be considered service for the district attorney for
5 purposes of this section.

6 (c) Notwithstanding any other provision of this chapter, within
7 90 days after this section becomes operative in the county, or on
8 the first day of the calendar month following ~~his or her~~ entrance
9 into service, whichever is later, a local prosecutor, local public
10 defender, or local public defender investigator may file a written
11 election not to become a local safety member pursuant to this
12 section.

13 (d) Notwithstanding any other provision of this chapter, local
14 prosecutors, local public defenders, and local public defender
15 investigators shall be subject to the benefit formula contained in
16 Section 31664 or 31664.2, or any other benefit formula applicable
17 to safety members that does not provide benefits greater than those
18 benefits provided under Section 31664.2, as designated in the
19 resolution described in subdivision (e). A local prosecutor, local
20 public defender, or local public defender investigator shall not be
21 deemed to be a county peace officer, as defined in Section 31469.1,
22 for any purpose under this chapter.

23 (e) This section shall not be operative in a county unless and
24 until the board of supervisors, by resolution adopted by majority
25 vote, makes this section operative in the county. A resolution to
26 make this section operative in the county shall include all local
27 prosecutors, local public defenders, and local public defender
28 investigators described in Section 31469.2.

29 (f) A provision in a memorandum of understanding that an
30 employer is not obligated to meet and confer regarding wages,
31 hours, or conditions of employment during the term of the
32 memorandum shall not be construed to preclude meetings regarding
33 the provisions of this section between an employer and local
34 prosecutors, local public defenders, and local public defender
35 investigators prior to the expiration of the term of the memorandum
36 of understanding.

37 (g) This section does not apply to any person described in
38 Section 31469.2 who dies prior to the date this section becomes
39 applicable in the county.

1 SEC. 17. Section 31680.9 of the Government Code is amended
2 to read:

3 31680.9. (a) A person who has been retired under the
4 retirement system, for service or for disability, may not be
5 employed in any capacity thereafter by the county or a district of
6 the retirement system unless the person has first been reinstated
7 from retirement pursuant to this chapter, or unless the employment,
8 without reinstatement, is authorized by this article or the Public
9 Employees' Pension Reform Act of 2013. A retired person whose
10 employment without reinstatement is authorized by this article or
11 the Public Employees' Pension Reform Act shall acquire no service
12 credit or retirement rights under this part with respect to the
13 employment.

14 (b) Any retired member employed in violation of Section
15 31680.2, 31680.3, 31680.6, or 7522.56 shall do all of the following:

16 (1) Reimburse the retirement system for any retirement
17 allowance received during the period or periods of employment
18 that are in violation of law. The retirement allowance that was paid
19 in violation of law shall be considered an overpayment subject to
20 collection by the retirement system.

21 (2) Only if reinstated, pay to the retirement system an amount
22 of money equal to the employee contributions that would otherwise
23 have been paid during the period or periods of unlawful
24 employment, plus interest thereon.

25 (3) Contribute toward reimbursement of the retirement system
26 for reasonable administrative expenses incurred in responding to
27 this situation, to the extent the member is determined by the
28 retirement system administrator to be at fault.

29 (c) Any public employer that employs a retired member in
30 violation of Section 31680.2, 31680.3, 31680.6, or 7522.56 shall
31 do both of the following:

32 (1) Only if the retired member is reinstated, pay to the retirement
33 system an amount of money equal to employer contributions that
34 would otherwise have been paid for the period or periods of time
35 that the member is employed in violation of this article, plus
36 interest thereon.

37 (2) Contribute toward reimbursement of the retirement system
38 for reasonable administrative expenses incurred in responding to
39 this situation, to the extent the employer is determined by the
40 administrator of the retirement system to be at fault.

1 (d) If an employer fails to ~~enroll, solely~~ *report, in a format*
2 *determined by the system* for the administrative recordkeeping
3 purposes of the system, a retired member employed in any capacity,
4 without reinstatement, within 30 days of the effective date of hire,
5 the board may assess the employer a fee of two hundred dollars
6 (\$200) per retired member per month until the ~~retired member is~~
7 ~~enrolled in those administrative aspects of the system.~~ *information*
8 *is reported.*

9 (e) If an employer fails to report the pay rate and number of
10 hours worked of a retired member employed in any capacity,
11 without reinstatement, ~~within 30 days following the last day of the~~
12 ~~pay period in which the retired member worked,~~ *at periods*
13 *determined by the system,* the board may assess the employer a
14 fee of two hundred dollars (\$200) per retired member per month
15 until the information is reported.

16 (f) An employer shall not pass on to an employee any fees
17 assessed pursuant to subdivisions (d) and (e).

18 (g) The employer shall provide written notice to the employee,
19 by an appropriate mechanism, including by first-class mail or
20 email, before the employee is within 10 business days or 80 hours
21 of the period of time included in Section 31680.2, 31680.3,
22 31680.6, or 7522.56.