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An act to add Sections 22950.6 and 22955.2 to the Education Code, relating to state teachers' retirement, and making an appropriation therefor.



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## THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 22950.6 is added to the Education Code, to read:

22950.6. The Legislature hereby appropriates three billion one hundred fifty million dollars (\$3,150,000,000) from the General Fund for the 2018–19 fiscal year to be transferred to the Teachers' Retirement Fund for the Defined Benefit Program, consistent with the requirements of this section and at the direction of the Department of Finance. The Department of Finance shall provide the Controller a schedule establishing the timing of specific transfers to be used for these payments. The payment to the Teachers' Retirement Fund shall be apportioned as follows:

(a) A dollar amount to pay in advance, on behalf of employers, part of the contributions required by employers for the 2019–20 fiscal year, such that it will result in employers having to contribute 1.43 percentage points less in the 2019–20 fiscal year than the percentage set by paragraph (6) of subdivision (a) of Section 22950.5.

(b) A dollar amount to pay in advance, on behalf of employers, part of the contributions required by employers for the 2020–21 fiscal year, such that it will result in employers having to contribute 1.00 percentage point less in the 2020–21 fiscal year than the percentage set by paragraph (7) of subdivision (a) of Section 22950.5.

(c) The remainder of the payment that has not been committed to the purposes specified in subdivisions (a) and (b) shall be allocated to reduce the employers' share of the unfunded actuarial obligation determined pursuant to Section 22950.5.

SEC. 2. Section 22955.2 is added to the Education Code, to read:

22955.2. (a) In addition to the appropriation required pursuant to Section 22955.1, the Legislature hereby appropriates the amount identified for appropriation pursuant to subclause (IV) of clause (ii) of subparagraph (B) of paragraph (1) of subdivision (c) of Section 20 of Article XVI of the California Constitution equivalent to the amount described in paragraph (3) of subdivision (d) of Section 35.50 of the annual Budget Act to supplement the state's appropriation to the Teachers' Retirement Fund, consistent with the requirements of this section and at the direction of the Department of Finance. The Department of Finance shall provide to the Controller a schedule establishing the timing of specific transfers to be used for these purposes.

(b) The supplemental payment described in this section is for the state's unfunded actuarial obligation determined pursuant to Section 22955.1 and is in excess of the current appropriation. Therefore, any amount transferred to a fund identified in subdivision (a) constitutes an obligation pursuant to subclause (IV) of clause (ii) of subparagraph (B) of paragraph (1) of subdivision (c) of Section 20 of Article XVI of the California Constitution.



## LEGISLATIVE COUNSEL'S DIGEST

Bill No. \_\_\_\_\_  
as introduced, \_\_\_\_\_  
General Subject: State Teachers' Retirement System: funding of benefits.

(1) Existing law, the Teachers' Retirement Law, establishes the State Teachers' Retirement System, administered by the Teachers' Retirement Board, 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, credited service, and age at retirement, subject to certain variations. The Defined Benefit Program is funded by employer and employee contributions, as well as investment returns and state appropriations, which are deposited or credited to the Teachers' Retirement Fund.

Existing law increases employer and state contributions to the Defined Benefit Program according to prescribed schedules, to be operative until July 1, 2046, as specified, in accordance with certain notice requirements.

This bill would appropriate \$3,150,000,000 from the General Fund for the 2018–19 fiscal year to be transferred to the Teachers' Retirement Fund for the Defined Benefit Program, for apportionment of specified amounts for required employer contributions for the 2019–20 and 2020–21 fiscal years, such that it will result in employers having to contribute 1.43 percentage points less than that amount set in those existing prescribed schedules in the 2019–20 fiscal year and 1.00 percentage point less in the 2020–21 fiscal year, as specified. The bill would require the remainder of the payment not committed for those purposes to be allocated to reduce the employers' share of the unfunded actuarial obligation determined by the board upon recommendation from its actuary.

(2) Existing law establishes a continuous appropriation from the General Fund to the Controller for transfer to the Teachers' Retirement Fund, in specified amounts, which equal a percentage of total creditable compensation of the fiscal year upon which members' contributions are based under the State Teachers' Retirement Law. For the 2017–18 fiscal year, and each fiscal year thereafter, existing law requires the board to increase or decrease certain percentages relating to the state appropriation to reflect the contribution required to eliminate the unfunded actuarial obligation of the system.

This bill would appropriate an additional amount identified for appropriation pursuant to the constitutionally prescribed equivalent to an amount described in the annual Budget Act, for unfunded liabilities, to supplement the state's appropriation to the Teachers' Retirement Fund, as prescribed. The bill would require the Department



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of Finance to provide to the Controller a schedule establishing the timing of specific transfers to be used for the purpose of reducing the state's unfunded actuarial obligation.

Vote: 2/3. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.



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