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SB-327 State teachers' retirement: disability allowances and benefits. (2023-2024)

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Date Published: 10/12/2023 02:00 PM

Senate Bill No. 327

CHAPTER 708

An act to amend, repeal, and add Sections 24201.5 and 24204 of the Education Code, relating to public retirement systems, and making an appropriation therefor.

[Approved by Governor October 10, 2023. Filed with Secretary of State October 10, 2023.]

LEGISLATIVE COUNSEL'S DIGEST

SB 327, Laird. State teachers' retirement: disability allowances and benefits.

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, credited service, and age at retirement, subject to certain variations. STRS is administrated by the Teachers' Retirement Board. 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, which is continuously appropriated for the purposes of the system.

Existing law authorizes a member of STRS who is eligible and applies for a disability allowance or retirement to apply to receive a service retirement pending the determination of their application for disability, subject to meeting certain conditions. These include that the member submit an application on a form prescribed by the system and, if the application for disability benefits is denied or canceled, the service retirement date of a member who submits an application for retirement under these provisions may not be earlier than January 1, 2014.

This bill would instead prohibit the service retirement date of a member who submits an application for retirement under these provisions from being earlier than 270 calendar days prior to when the application for service retirement is received by the system.

Existing law, with respect to an application for disability benefits that is denied or canceled, prohibits the service retirement date from being earlier than one day after the date on which a retirement allowance was terminated, as specified, provided that the retirement allowance is terminated on or after January 1, 2014.

This bill would instead provide that the retirement allowance under the above-described circumstances is terminated no earlier than 270 calendar days prior to when the application for service retirement is received by the system.

Existing law provides that a service retirement allowance under STRS becomes effective on a date designated by the member, provided all of specified conditions are met, including that the member executes an application for service retirement allowance no earlier than 6 months before the effective date of retirement allowance.

This bill would provide that the effective date of a member who files an application for service retirement under a specified formula applicable to members 55 years of age or older is no earlier than 270 calendar days prior to when the application for

service retirement is received by the system. The bill, with respect to the above members, would delete a provision specifying that the retirement date of a member who files an application for retirement on or after January 1, 2012, is no earlier than January 1, 2012.

The bill would require the board to determine a date when STRS has the capacity to implement the above-described changes and to post the date on the STRS website no later than January 1, 2026. The bill would make those provisions operative on the date determined by the board, and would repeal those existing provisions on January 1, 2026.

By changing the method for calculating the service retirement date of certain members of STRS, the bill would affect moneys in a continuously appropriated fund, thereby making an appropriation.

Vote: majority Appropriation: yes Fiscal Committee: yes Local Program: no

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

SECTION 1. Section 24201.5 of the Education Code is amended to read:

24201.5. (a) A member who is eligible and applies for a disability allowance or retirement pursuant to Section 24001 or 24101 may apply to receive a service retirement allowance pending the determination of their application for disability, subject to all of the following:

(1) The member is eligible to retire for service under Section 24201 or 24203.

(2) The member submits the application on a form provided by the system, subject to all of the following:

(A) The application is executed no earlier than the date the application for disability benefits is executed and no earlier than six months before the effective date of the retirement allowance.

(B) The effective date is no earlier than the first day of the month in which the application for disability benefits is received by the system, unless the application for disability benefits is denied or canceled and the member has indicated an earlier service retirement date on the application to use if denied or canceled. If the application for disability benefits is denied or canceled, the service retirement date of a member who submits an application for retirement pursuant to this section on or after January 1, 2014, shall be no earlier than January 1, 2014.

(C) The effective date is later than the last day the member earned creditable compensation pursuant to Section 22119.2 or 22119.3.

(D) The effective date is no earlier than one year following the date on which a retirement allowance was terminated pursuant to Section 24208, unless the application for disability benefits is denied or canceled and the member has indicated an earlier service retirement date on the application to use if denied or canceled. If the application for disability benefits is denied or canceled, the service retirement date is no earlier than one day after the date on which a retirement allowance was terminated pursuant to Section 24208, provided that the retirement allowance is terminated on or after January 1, 2014.

(E) The effective date is no earlier than one year following the date on which a retirement allowance was terminated pursuant to subdivision (a) of Section 24117.

(3) The effective date of the service retirement allowance can be no earlier than the date upon and continuously after which the member is determined to the satisfaction of the board to have been mentally incompetent.

(4) A member who applies for service retirement under this section is not eligible to receive a lump-sum payment and an actuarially reduced monthly allowance pursuant to Section 24221.

(5) A member who applies for service retirement under this section is not eligible to receive an allowance calculated pursuant to Section 24205.

(6) A member who applies for service retirement under this section and elects to receive their retirement benefit pursuant to Section 25009 as a lump-sum payment is not eligible to elect a disability benefit pursuant to Section 25016 or 25018.1.

(7) (A) Except as described in subparagraph (B), a member who applies for service retirement under this section shall not receive service credit for each day of accumulated and unused leave of absence for illness or injury or for education pursuant to Section 22717 or 22717.5.

(B) If the application for disability is denied or canceled, the member's service retirement allowance shall be adjusted to the effective date of the service retirement to include service credited pursuant to Section 22717 or 22717.5.

(8) If the application for disability is denied or canceled, a member who applies for a service retirement allowance under this section is subject to all of the following:

(A) Unless otherwise provided in this part, a member who, on their application for service retirement, elects an option pursuant to Section 24300.1 or 24307 may not change or revoke that option.

(B) If the member receives a modified service retirement allowance based on the election of an option pursuant to Section 24300.1 or 24307, that modified service retirement allowance shall continue in effect and unchanged.

(C) If the member did not elect an option pursuant to Section 24300.1 or 24307 and receives an unmodified service retirement allowance, that unmodified service retirement allowance shall continue in effect and unchanged.

(b) A member who applies for service retirement under this section may change or cancel their service retirement application pursuant to Section 24204, or may terminate their service retirement allowance pursuant to Section 24208.

(c) A member may not cancel their application for disability prior to a determination of that application unless they submit a written request to the system. If a member elects to cancel their service retirement application or elects to terminate their service retirement allowance as described in subdivision (b), that election shall not cancel the application for disability.

(d) (1) Subparagraph (C) of paragraph (1) of subdivision (a) of Section 24001 and paragraph (3) of subdivision (a) of Section 24101 shall not apply to a member who cancels an application for service retirement pursuant to Section 24204 or who terminates a service retirement allowance pursuant to Section 24208, if all of the following apply:

(A) The member earned at least one year of credited service subsequent to the most recent terminated service retirement allowance.

(B) The member's application for disability under this section is pending determination by the board.

(2) If the member's application for disability under this section is denied or canceled, subparagraph (C) of paragraph (1) of subdivision (a) of Section 24001 and paragraph (3) of subdivision (a) of Section 24101 shall apply if the member submits a new application for disability.

(e) (1) If the board approves the application for disability, and notwithstanding subdivision (f) of Section 24204, the board shall cancel the member's application for service retirement and shall authorize payment of a disability allowance or disability retirement.

(2) If the board approves the application for disability and the member has received service retirement allowance payments under this part, the effective date for the disability allowance or disability retirement shall be the same as the effective date of the service retirement allowance.

(f) If a member who applies for service retirement under this section dies prior to a determination by the board on the application for disability, the member shall be considered retired for service at the time of death, and any subsequent benefits shall be paid accordingly.

(g) If a member who applies for service retirement under this section dies after the board has approved the member's application for disability, the member shall be considered a disabled member, or retired for disability, at the time of death, and any subsequent benefits shall be paid accordingly, even if the member died prior to receiving notification of the approval of their application for disability.

(h) If the member changes or cancels their service retirement application or terminates their service retirement allowance as described in subdivision (b), the system shall make appropriate adjustments to the applicable service retirement allowance, disability allowance, or disability retirement allowance, retroactive to the effective date of the disability allowance or disability retirement allowance. Subdivision (a) of Section 24617 shall not apply.

(i) The system may recover a service retirement allowance overpayment made to a member by deducting that overpayment from any subsequent disability benefit payable to the member.

(j) Nothing in this section shall be construed to allow a member or beneficiary to receive more than one type of retirement or disability allowance for the same period of time.

(k) (1) The board shall determine a date based on when the system has the capacity to implement the changes made by the act that added this subdivision. The date determined by the board shall be posted on the website of the system no later than January 1, 2026.

(2) This section shall become inoperative on the date determined by the board pursuant to paragraph (1), and this section shall be repealed on January 1, 2026.

SEC. 2. Section 24201.5 is added to the Education Code, to read:

24201.5. (a) A member who is eligible and applies for a disability allowance or retirement pursuant to Section 24001 or 24101 may apply to receive a service retirement allowance pending the determination of their application for disability, subject to all of the following:

(1) The member is eligible to retire for service under Section 24201 or 24203.

(2) The member submits the application on a form provided by the system, subject to all of the following:

(A) The application is executed no earlier than the date the application for disability benefits is executed and no earlier than six months before the effective date of the retirement allowance.

(B) The effective date is no earlier than the first day of the month in which the application for disability benefits is received by the system, unless the application for disability benefits is denied or canceled and the member has indicated an earlier service retirement date on the application to use if denied or canceled. If the application for disability benefits is denied or canceled, the service retirement date of a member who submits an application for retirement pursuant to this section shall be no earlier than 270 calendar days prior to when the application for service retirement is received by the system.

(C) The effective date is later than the last day the member earned creditable compensation pursuant to Section 22119.2 or 22119.3.

(D) The effective date is no earlier than one year following the date on which a retirement allowance was terminated pursuant to Section 24208, unless the application for disability benefits is denied or canceled and the member has indicated an earlier service retirement date on the application to use if denied or canceled. If the application for disability benefits is denied or canceled, the service retirement date is no earlier than one day after the date on which a retirement allowance was terminated pursuant to Section 24208, provided that the retirement allowance is terminated no earlier than 270 calendar days prior to when the application for service retirement is received by the system.

(E) The effective date is no earlier than one year following the date on which a retirement allowance was terminated pursuant to subdivision (a) of Section 24117.

(3) The effective date of the service retirement allowance can be no earlier than the date upon and continuously after which the member is determined to the satisfaction of the board to have been mentally incompetent.

(4) A member who applies for service retirement under this section is not eligible to receive a lump-sum payment and an actuarially reduced monthly allowance pursuant to Section 24221.

(5) A member who applies for service retirement under this section is not eligible to receive an allowance calculated pursuant to Section 24205.

(6) A member who applies for service retirement under this section and elects to receive their retirement benefit pursuant to Section 25009 as a lump-sum payment is not eligible to elect a disability benefit pursuant to Section 25016 or 25018.1.

(7) (A) Except as described in subparagraph (B), a member who applies for service retirement under this section shall not receive service credit for each day of accumulated and unused leave of absence for illness or injury or for education pursuant to Section 22717 or 22717.5.

(B) If the application for disability is denied or canceled, the member's service retirement allowance shall be adjusted to the effective date of the service retirement to include service credited pursuant to Section 22717 or 22717.5.

(8) If the application for disability is denied or canceled, a member who applies for a service retirement allowance under this section is subject to all of the following:

(A) Unless otherwise provided in this part, a member who, on their application for service retirement, elects an option pursuant to Section 24300.1 or 24307 may not change or revoke that option.

(B) If the member receives a modified service retirement allowance based on the election of an option pursuant to Section 24300.1 or 24307, that modified service retirement allowance shall continue in effect and unchanged.

(C) If the member did not elect an option pursuant to Section 24300.1 or 24307 and receives an unmodified service retirement allowance, that unmodified service retirement allowance shall continue in effect and unchanged.

(b) A member who applies for service retirement under this section may change or cancel their service retirement application pursuant to Section 24204, or may terminate their service retirement allowance pursuant to Section 24208.

(c) A member may not cancel their application for disability prior to a determination of that application unless they submit a written request to the system. If a member elects to cancel their service retirement application or elects to terminate their service retirement allowance as described in subdivision (b), that election shall not cancel the application for disability.

(d) (1) Subparagraph (C) of paragraph (1) of subdivision (a) of Section 24001 and paragraph (3) of subdivision (a) of Section 24101 shall not apply to a member who cancels an application for service retirement pursuant to Section 24204 or who terminates a service retirement allowance pursuant to Section 24208, if all of the following apply:

(A) The member earned at least one year of credited service subsequent to the most recent terminated service retirement allowance.

(B) The member's application for disability under this section is pending determination by the board.

(2) If the member's application for disability under this section is denied or canceled, subparagraph (C) of paragraph (1) of subdivision (a) of Section 24001 and paragraph (3) of subdivision (a) of Section 24101 shall apply if the member submits a new application for disability.

(e) (1) If the board approves the application for disability, and notwithstanding subdivision (f) of Section 24204, the board shall cancel the member's application for service retirement and shall authorize payment of a disability allowance or disability retirement.

(2) If the board approves the application for disability and the member has received service retirement allowance payments under this part, the effective date for the disability allowance or disability retirement shall be the same as the effective date of the service retirement allowance.

(f) If a member who applies for service retirement under this section dies prior to a determination by the board on the application for disability, the member shall be considered retired for service at the time of death, and any subsequent benefits shall be paid accordingly.

(g) If a member who applies for service retirement under this section dies after the board has approved the member's application for disability, the member shall be considered a disabled member, or retired for disability, at the time of death, and any subsequent benefits shall be paid accordingly, even if the member died prior to receiving notification of the approval of their application for disability.

(h) If the member changes or cancels their service retirement application or terminates their service retirement allowance as described in subdivision (b), the system shall make appropriate adjustments to the applicable service retirement allowance, disability allowance, or disability retirement allowance, retroactive to the effective date of the disability allowance or disability retirement allowance. Subdivision (a) of Section 24617 shall not apply.

(i) The system may recover a service retirement allowance overpayment made to a member by deducting that overpayment from any subsequent disability benefit payable to the member.

(j) Nothing in this section shall be construed to allow a member or beneficiary to receive more than one type of retirement or disability allowance for the same period of time.

(k) (1) The board shall determine a date based on when the system has the capacity to implement the changes made by the act that added this subdivision. The date determined by the board shall be posted on the website of the system no later than January 1, 2026.

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

SEC. 3. Section 24204 of the Education Code is amended to read:

24204. (a) A service retirement allowance under this part shall become effective upon any date designated by the member, provided all of the following conditions are met:

(1) An application for service retirement allowance is filed on a form provided by the system, which is executed no earlier than six months before the effective date of retirement allowance.

(2) The effective date is later than the last day the member earned creditable compensation pursuant to Section 22119.2 or 22119.3.

(3) The effective date is no earlier than one day after the date on which the retirement allowance was terminated under Section 24208.

(4) The effective date is no earlier than one year following the date on which the retirement allowance was terminated under subdivision (a) of Section 24117.

(5) The effective date is no earlier than the date upon and continuously after which the member is determined to the satisfaction of the board to have been mentally incompetent.

(6) The effective date is no earlier than one day after the date upon which the member completes payment of a service credit purchase pursuant to Section 22801, 22820, or 22826, or payment of a redeposit of contributions pursuant to Section 23200, except as provided in Section 22801 or 22829.

(b) A member who files an application for service retirement may change or cancel their retirement application if all of the following are met:

(1) The form provided by the system is received by the system no later than 30 days from the date the member's initial benefit payment for the member's most recent retirement under the Defined Benefit Program is paid by the system.

(2) The member returns the total gross distribution amount of all payments for any canceled benefit, including a lump-sum payment being changed to an annuity, to the system no later than 45 days from the date of the member's initial benefit payment. The member shall be liable for any adverse tax consequences that may result from these actions.

(c) The retirement date of a member who files an application for retirement pursuant to Section 24201 on or after January 1, 2012, shall be no earlier than January 1, 2012.

(d) Nothing in this section shall be construed to allow a member to receive more than one type of retirement or disability allowance for the same period of time by virtue of the member's own membership.

(e) (1) The board shall determine a date based on when the system has the capacity to implement the changes made by the act that added this subdivision. The date determined by the board shall be posted on the website of the system no later than January 1, 2026.

(2) This section shall become inoperative on the date determined by the board pursuant to paragraph (1), and this section shall be repealed on January 1, 2026.

SEC. 4. Section 24204 is added to the Education Code, to read:

24204. (a) A service retirement allowance under this part shall become effective upon any date designated by the member, provided all of the following conditions are met:

(1) An application for service retirement allowance is filed on a form provided by the system, which is executed no earlier than six months before the effective date of retirement allowance.

(2) The effective date of a member who files an application for retirement pursuant to Section 24201 is no earlier than 270 calendar days prior to when the application for service retirement is received by the system.

(3) The effective date is later than the last day the member earned creditable compensation pursuant to Section 22119.2 or 22119.3.

(4) The effective date is no earlier than one day after the date on which the retirement allowance was terminated under Section 24208.

(5) The effective date is no earlier than one year following the date on which the retirement allowance was terminated under subdivision (a) of Section 24117.

(6) The effective date is no earlier than the date upon and continuously after which the member is determined to the satisfaction of the board to have been mentally incompetent.

(7) The effective date is no earlier than one day after the date upon which the member completes payment of a service credit purchase pursuant to Section 22801, 22820, or 22826, or payment of a redeposit of contributions pursuant to Section 23200, except as provided in Section 22801 or 22829.

(b) A member who files an application for service retirement may change or cancel their retirement application if all of the following are met:

(1) The form provided by the system is received by the system no later than 30 days from the date the member's initial benefit payment for the member's most recent retirement under the Defined Benefit Program is paid by the system.

(2) The member returns the total gross distribution amount of all payments for any canceled benefit, including a lump-sum payment being changed to an annuity, to the system no later than 45 days from the date of the member's initial benefit payment. The member shall be liable for any adverse tax consequences that may result from these actions.

(c) Nothing in this section shall be construed to allow a member to receive more than one type of retirement or disability allowance for the same period of time by virtue of the member's own membership.

(d) (1) The board shall determine a date based on when the system has the capacity to implement the changes made by the act that added this subdivision. The date determined by the board shall be posted on the website of the system no later than January 1, 2026.

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