

**BILL NUMBER: AB 2770 (PE&R) as amended March 11, 2024**

**SUMMARY**

AB 2770 makes minor, technical and conforming 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 Program and the Cash Balance Benefit Program. The bill also makes various minor, technical and conforming changes in the County Employees Retirement Law and the law related to the Judges' Retirement System II.

**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 2770 will help ensure continued effective and efficient plan administration for CalSTRS' internal and external customers.

**SUMMARY OF AMENDMENTS**

The March 11, 2024, amendment aligns the interest calculation for permissive service credit purchases by inactive members with similar purchases for other members.

**ANALYSIS & PROGRAM BACKGROUND**

Service Credit Purchases and Redeposits: Billing Statements and Interest  
*Background*

Education Code sections 22801 and 23202 describe the calculation components for and conditions under which a member may elect to purchase permissive service credit or initiate a redeposit of refunded contributions, respectively. Neither section currently cites a specific timeframe in which a member must sign and return a billing statement generated by the system and form a contract for payment to complete the transaction, except in situations where the system is unable to inform the member before a benefit begins. In these cases, the member may make the required payment within 30 working days after the date of mailing of the statement of contributions and interest required or the effective date of the benefit, whichever is later.

The costs for such purchases and redeposits are time sensitive and based on factors that could include accumulation of interest, tiered contribution rates connected to the member's age and the member's highest compensation earnable. These factors are affected by the passage of time, which could require recalculation and typically higher costs to complete a purchase.

Additionally, Education Code sections 23200 and 23201 stipulate that when a member requests to make a redeposit, the cost includes regular interest calculated from the date of the refund to the date of payment. This creates an impossible situation for CalSTRS to quote the member a specific cost, as the date CalSTRS will receive the payment is unknown. CalSTRS' current practice is to calculate interest based on 20 calendar days after the initial request is received, in line with statutory requirements for calculating interest for purchases of service credit by inactive members.

*Proposed*

This bill establishes a 35-calendar day timeframe in which members must sign, complete and return a billing statement from the system to purchase service credit or to redeposit at a specific cost. This bill also adjusts CalSTRS' process for calculating regular interest for members initiating redeposits or inactive members initiating service credit purchases to be calculated to the day CalSTRS receives a member's request, using a known date. Finally, this bill makes additional minor and technical changes to provisions governing service credit purchases and redeposits to ensure consistent usage of calendar days.

*Sections affected: 22801, 23200, 23201, 23202*

SECURE Act Conforming Change*Background*

The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 amended the required minimum distribution (RMD) rules for beneficiaries in Internal Revenue Code section 401(a)(9) to require that, for deaths occurring in 2020 or later, designated beneficiaries, except those meeting specified criteria, must withdraw the entire balance of an employee's retirement account by the end of the 10th year after the year of the employee's death. An exception to this rule is provided for surviving spouses, minor children, disabled or chronically ill individuals and individuals who are not more than 10 years younger than the member or participant. In addition, the Internal Revenue Service published proposed regulations for the SECURE Act on February 24, 2022, that indicate an additional requirement that if the employee dies after their RMD Required Beginning Date, then the employee's designated beneficiaries, who are subject to the 10-Year Rule, must both take RMDs annually and make the required full withdrawal of the account by the end of the 10th year following the year of the employee's death. Education Code sections 24600 and 26004 continue to refer to RMD beneficiary distribution rules in place prior to the SECURE Act and require amendments to reflect current federal requirements.

*Proposed*

This bill amends the Teachers' Retirement Law to appropriately reference federal statute for RMD beneficiary distribution without specifying timeframes that may change under future federal actions.

Section affected: 24600, 26004

**LEGISLATIVE HISTORY**

SB 634 (PE&R, Chapter 304, Statutes of 2009) adjusted the service credit purchase election process to add regular interest only when the member is not employed to perform creditable service subject to coverage by the DB Program and made various other technical changes to provisions governing service credit purchases.

**FISCAL IMPACT**

Program Cost – None.

Administrative Costs/Savings – Minor and absorbable.

**SUPPORT**

CalSTRS (sponsor)

**OPPOSITION**

None known.

**LEGISLATIVE STAFF CONTACT**

Peter Elliott  
Legislative Advocate,  
CalSTRS Governmental Relations,  
(916) 414-1978  
[emurillo@calstrs.com](mailto:emurillo@calstrs.com)

John Maradik-Symkowick  
Manager,  
CalSTRS Governmental Relations,  
(916) 414-1977  
[jmaradik-symkowick@calstrs.com](mailto:jmaradik-symkowick@calstrs.com)

Joycelyn Martinez-Wade  
Director,  
CalSTRS Governmental Relations,  
(916) 414-1980  
[jmwade@calstrs.com](mailto:jmwade@calstrs.com)