

# ALERT

## BENEFIT LEGISLATION

Volume II, Number 3

### **Legislative Provisions Affecting CalSTRS Benefits as of May 13, 2002**

Each year, legislation is introduced that would, if enacted, improve benefits paid to some CalSTRS members who retire in the future. If you are considering retiring soon, you might be interested to know what bills of this type are being considered this year. These bills are summarized below to assist you in your retirement planning. Since all legislative proposals are subject to change during the legislative year, please see the box on page two for informational resources to help you keep current on the latest benefit provisions.

#### ***Benefit Legislation Alert***

summarizes only the benefit-increasing provisions that apply to CalSTRS members retiring in the future. Some benefit-increasing proposals that affect CalSTRS members, but are not dependent on when a member retires, have been introduced in the state Legislature. However, those provisions are not included here.

Generally, when legislation becomes law, unless the bill states otherwise, the benefits will become effective on the next January 1 and apply to members who retire on or after the bill's effective date.

Please see the reverse for information on a law passed in 2000 that becomes effective July 1, 2002, and might be of interest to members retiring in the future.

### **New Laws Recently Passed**

#### **AB 1122 (Corbett), Chapter 35, Statutes of 2002**

#### **SB 657 (Scott), Chapter 34, Statutes of 2002**

These bills conform California state law with the recently enacted federal tax relief bill. Major provisions include:

- ◆ Increased limits on contributions to 401(k) and 403(b) accounts to \$11,000 in 2002; increasing by \$1,000 each year until reaching \$15,000 in 2006; after that, increasing by \$500 yearly. Allows additional "catch-up" contributions for those age 50 and older.
- ◆ Permits members to make the maximum contribution to a 457 plan while also making the maximum contribution into a 401(k) and/or a 403(b) plan. For the latter, the maximum contribution can be split in any percentage between the two plans.
- ◆ Increased contributions in IRAs to \$3,000 in 2000-2004; \$4,000 for 2005-2007; \$5,000 for 2008; after that increasing \$500 yearly.
- ◆ Permits active members to purchase service credit or to redeposit funds previously withdrawn from their CalSTRS accounts using pre-tax rollover funds from traditional IRAs.

#### **AB 131 (Corbett), Chapter 30, Statutes of 2002**

Permits members retiring on or after January 1, 2002, and before August 23, 2002, to use 403(b) or 457 funds to purchase additional service credit or redeposit funds previously withdrawn from their CalSTRS accounts. Purchases must be completed by October 23, 2002.

Also permits active members to purchase service credit or to redeposit funds previously withdrawn from their CalSTRS accounts using pre-tax rollover funds from any 403(b) or 457 plan. Members continue to be able to roll over pre-tax funds from 401(a), 401(k) plans and conduit IRAs.



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## **Proposed Bills Under Consideration**

### **AB 2451 (Salinas)**

Permits part-time credentialed community college employees to have the value of unused sick leave at the time of retirement credited to the Cash Balance Benefit Program account or alternative retirement plan account.

### **AB 2646 (Liu)**

Eliminates the 25-year service credit requirement to have final compensation based on highest 12 consecutive months rather than highest 36 months.

### **SB 1983 (Soto)**

For members who received a disability allowance and then returned to active service for at least one year, allows credit for service that would have been earned when a disability allowance was payable to count when determining eligibility for enhanced retirement benefits such as one-year final compensation, career factor and the longevity bonus. Also allows .2 of one year of service credit for unused sick leave when determining eligibility for the enhanced retirement benefits.

## **Enacted Legislation Taking Effect in the Future**

### **AB 2700 (Lempert), Chapter 1021, Statutes of 2000**

Beginning July 1, 2002, all compensation for extra service will be credited to CalSTRS retirement accounts. This includes pay for summer school, intersession, overtime, allowances and bonuses. For those earning less than one year of service credit, contributions will be credited to the Defined Benefit Program as additional service credit. For those earning more than one year of service credit in any school year, member and employer contributions will be credited to Defined Benefit Supplement accounts.



### ***Keep Current on Legislative Changes for Informed Decisions***

While CalSTRS makes every effort to keep its members informed about changes in its benefit structure, it cannot safely predict what the Legislature and Governor may do that might be of interest to you.

For this reason, you should keep yourself informed about possible benefit changes by consulting the CalSTRS website ([www.calstrs.ca.gov](http://www.calstrs.ca.gov)) or the CalSTRS Public Service Office (800-228-5453), CalSTRS retirement counselors, your union representative (if applicable), your legislative representative and any other source that you believe would be helpful before you make any final decision about retirement.

You are ultimately responsible for any decision you make in regard to your CalSTRS benefit.