

BILL NUMBER: AB 2780 (PE&R) as introduced March 09, 2026

SUMMARY

AB 2780 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 (DBS) Program and the Cash Balance (CB) Benefit Program. The bill also makes various minor, technical and conforming changes in the County Employees Retirement Law.

BOARD POSITION

Sponsor. This bill will make various minor, technical or conforming amendments necessary for continued effective administration of the California State Teachers' Retirement System.

REASON FOR THE BILL

AB 2780 will help ensure continued effective and efficient plan administration for CalSTRS' internal and external customers.

ANALYSIS & PROGRAM BACKGROUND

AB 1997 clarifying and conforming changes – Position subject to membership

Background

To clarify and simplify administration of the plan, AB 1997 (McKinnor, Chapter 690, Statutes of 2024) amended the definitions of various terms used in the reporting of creditable compensation and creditable service and added a new definition of "position subject to membership," effective upon a date determined by the board and no later than July 1, 2027. The board approved a resolution on March 13, 2025, to make AB 1997 effective on July 1, 2027.

Proposed

This bill adds "permit" to the list of documents that may be required for a position subject to membership and codifies the board's decision pursuant to AB 1997 that this section as added by AB 1997 is operative on July 1, 2027.

Section affected: 22156.07

AB 1997 conforming changes – Retired member and participant activities

Background

AB 1997 amended the definition of "creditable service" by removing the list of activities deemed to be creditable and redefining the term as service in a position subject to membership. However, the definitions of "retired member activities" and "retired participant activities" still reference the list of creditable activities.

Proposed

This bill redefines "retired member activities" and "retired participant activities" by deleting obsolete references to creditable service activities and, instead, including all work performed by a

retired member or participant within the California public school system, operative on July 1, 2027, pursuant to the board's decision under AB 1997.

Sections affected: 22164.5 and 26135.7

Unused sick leave clean-up

Background

Unused sick leave days, as defined in Education Code section 22170.5, can be used in the calculation of service credit, which is one factor in the service retirement benefit calculation. Subdivision (d) of that section requires sick leave hours to be divided by six in order to determine the equivalent number of days for the standards identified in Education Code section 22138.5 expressed only in terms of hours. While this specifically applies to community college part-time and adult education instructors, no other full-time equivalent standard in Section 22138.5 would result in less than a six-hour day when the total hourly minimums are divided by the daily minimums. Nevertheless, some employers have attempted to divide total sick leave hours by less than six in order to determine the number of days to report to CalSTRS.

Proposed

This bill clarifies that one day of unused sick leave is equivalent to the number of hours of creditable service performed in a day in that position on a full-time basis but no less than six hours.

Section affected: 22170.5

Fiduciary duties conforming language

Background

Section 17 of Article XVI of the California Constitution gives the board plenary authority and fiduciary responsibility for investment of moneys and administration of the system. This includes the responsibility to “diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so,” which was added by Proposition 21 in 1984. In part, Education Code section 22250 requires the board to discharge its duties by “diversifying the investments of the plan so as to minimize the risk of *large* losses ...” (emphasis added). This language predates Proposition 21 and is inconsistent with the provisions of the constitution.

Proposed

This bill conforms the language in Education Code section 22250 with the California Constitution by clarifying the board's responsibility “to minimize the risk of loss and to maximize the rate of return” without constraint on the size of the loss.

Section affected: 22250

Enrollment form consistency

Background

Education Code section 22455.5 requires employers to provide employees excluded from mandatory DB Program membership with the form to permissively elect to participate in the DB Program within 30 days of the date of hire. This 30-day period is longer than the 10-day period within which employers are required to provide employees with the *Retirement System Election* form and the *Cash Balance Benefit Program Election* form.

Education Code section 26300 establishes the employer's responsibility to provide employees with information regarding the CB Benefit Program. There is a slight discrepancy between subdivisions (a) and (c), which state that the CB election form must be provided to employees within 10 working days following "the first day of employment" or "the first day on which creditable service is performed," respectively.

Proposed

This bill requires employers to provide employees with the *Permissive Membership* election form within 10 working days of their date of hire, aligning with other membership election form requirements, and standardizes the language requiring the *Cash Balance Benefit Program Election* form to be provided within 10 working days following "the first day of employment," which avoids participants missing election deadlines.

Sections affected: 22455.5 and 26300

Retirement incentive for service retirement during evaluation of a disability application

Background

Employers can provide members with two additional years of service credit as a retirement incentive if it is in the best interest of and results in net savings to the school district or county office of education. The employer must fund this retirement incentive at an actuarially determined rate.

Education Code section 24201.5 allows members who apply for a disability benefit to apply to receive a service retirement benefit during the evaluation of their disability application. While the service retirement benefit calculation factors in service credit, the disability benefit calculation typically does not. In order to prevent overpayment of benefits based on service credit that may need to be recovered later, this section prohibits the service retirement benefit calculation from including service credit for any unused sick leave until the disability benefit is denied; however, the law is silent with regards to retirement incentive service credit.

Proposed

This bill specifies that the service retirement benefit provided during the evaluation of a disability application excludes retirement incentive service credit unless and until the disability application is denied.

Section affected: 24201.5

SB 327 operative date

Background

SB 327 (Laird, Chapter 708, Statutes of 2023) required a member's service retirement effective date to be no earlier than 270 calendar days prior to when CalSTRS receives their application. SB 327 provided that its provisions would be effective upon a date determined by the board and no later than January 1, 2026. The board approved a resolution on March 13, 2025, to make the changes from SB 327 effective on January 1, 2026.

Proposed

This bill codifies the board's decision pursuant to SB 327 that Education Code sections 24201.5 and 24204 as amended by SB 327 are operative on January 1, 2026.

Sections affected: 24201.5 and 24204

Signature clean-up

Background

Education Code section 24204 describes several conditions that must be met for a service retirement application or change request to be considered valid. While there are sections in the Teachers' Retirement Law that specify documentation is only valid if received by CalSTRS within 30 days of the member's signature date—for example, the *Preretirement Election of an Option* form—there is no such requirement for either the *Service Retirement Application* or *Service Retirement Application Change Request* form.

Proposed

This bill specifies that the *Service Retirement Application* and *Service Retirement Application Change Request* forms must be received by the system within 30 days of the member's signature date and the spouse's or registered domestic partner's signature date, if applicable, to be considered valid.

Section affected: 24204

Defined Benefit Supplement annuity to lump sum

Background

Education Code section 25009 provides that a member's DBS retirement is an amount equal to the balance of credits in their DBS account on the date the retirement benefit becomes payable. The benefit can be taken as a lump-sum payment, monthly annuity or combination of both. Under Education Code section 24204, a member is only allowed to change their distribution choice within 30 days from the date of the member's initial benefit payment. Periodically, CalSTRS receives hardship requests from members who wish to cease monthly annuity payments and instead receive the remaining balance as a lump-sum distribution.

Proposed

This bill allows members who service retire and elect to receive their DBS benefit as an annuity to change that annuity to a lump sum at any time after retirement as long as there is a balance of credits available to distribute.

Sections affected: 24204 and 25009

Option factor for multiple retirements

Background

Education Code sections 24209 and 24209.3 provide the calculations for a service retirement benefit after reinstatement for members who re-retire. Education Code section 24210 provides the calculation for a service retirement benefit for members who service retire after terminating a disability retirement. Unlike a typical service retirement benefit, these benefits are the sum of multiple calculations that reflect the member's previous benefit, the time the member was receiving a benefit and any additional service credit earned. If an option is elected when the member re-retires, current law does not explicitly state how the option factor is applied to these calculations. If the option factor is not applied to the entire calculation, the cost of the option would not be actuarially offset.

Proposed

This bill clarifies that if a member elects a beneficiary option when re-retiring after reinstatement, the entire subsequent service retirement benefit is modified by the appropriate option factor to actuarially offset costs.

Sections affected: 24209, 24209.3 and 24210

Additional earnings credit clean-up*Background*

Education Code sections 25006 and 26605 allow the board to declare an additional earnings credit (AEC) to be applied to DBS and CB accounts, respectively, for a plan year as long as the programs' investment earnings meet certain criteria. Sections 25006 and 26606 state that these credits are to be applied as a percentage increase to the balance of credits in any member's or participant's account with a balance as of the last day of the plan year (June 30). Current law also prohibits AECs from being added to the balance of credits, or credited to accounts, that have already been transferred to the Annuitant Reserve. This prohibition is intended to ensure that those members and participants who are already receiving an annuity, and therefore, potentially receiving an additional annuity credit (AAC) under Education Code sections 25007 and 26607, do not also receive an AEC. However, in accordance with board policy recognizing that annuities are determined based on the assumed rate of investment return as of the benefit effective date, AACs are no longer granted.

Proposed

This bill clarifies that an AEC is applied to all DBS and CB accounts that have a balance as of June 30, regardless of whether the account balance is transferred to the Annuitant Reserve after June 30.

Sections affected: 25006 and 26606

AB 1997 conforming changes – Cash Balance Benefit Program*Background*

AB 1997 amended the definitions of various terms used in the reporting of creditable compensation and creditable service to the DB and DBS programs for the purpose of clarifying and simplifying administration of these processes. The bill did not address CB Benefit Program statutes.

Proposed

This bill adds the definition of "service" from the DB Program statutes to the CB Benefit Program statutes to clarify that the definition applies to both programs. It also conforms the CB statutes with the new and amended definitions under AB 1997 to make reporting of CB compensation and service more consistent with the DB Program. These provisions are operative July 1, 2027, pursuant to the board's decision under AB 1997.

Sections affected: 26004, 26113, 26139 and 26139.5

LEGISLATIVE HISTORY

Assembly Bill 1997 (McKinnor, Chapter 690, Statutes of 2024) addressed compensation reporting challenges and other concerns encountered by employers, members and CalSTRS staff by

simplifying sections of the Teachers' Retirement Law relating to creditable compensation and creditable service.

SB 327 (Laird, Chapter 708, Statutes of 2023) required a member's service retirement effective date to be no earlier than 270 calendar days prior to when CalSTRS receives their application.

AB 1316 (Bass, Chapter 332, Statutes of 2007) allowed members to receive a service retirement benefit pending the determination of their disability application.

AB 1509 (Machado, Chapter 74, Statutes of 2000) established the DBS Program, including the AEC provisions for DBS accounts and distribution of the DBS benefit as either a lump sum, annuity or combination of both as selected on the member's retirement application.

AB 1298 (Ducheny, Chapter 592, Statutes of 1995) established the CalSTRS Cash Balance Plan, including the AEC provisions for CB accounts and the requirement for employers to inform employees of their right to elect membership in an alternative plan.

AB 2554 (Solis, Chapter 603, Statutes of 1994) required employers to provide full-time, part-time and substitute employees with information regarding the criteria for mandatory and optional membership within 30 days of the date of hire.

AB 1884 (Green, Chapter 1165, Statutes of 1992) established the service retirement benefit calculation for members who reinstate after a disability retirement and subsequently service retire.

California Proposition 21 (Cal. Const. Art. XVI, Section 17, 1984) revised the Legislature's ability to authorize the investment of moneys of any public pension system, including by establishing public pension fund assets as trust funds held for the exclusive purposes of providing benefits and defraying administrative costs and requiring the investments of the system to be diversified "... so as to minimize the risk of loss and to maximize the rate of return"

SB 211 (Keene, Chapter 1200, Statutes of 1982) established the fiduciary standards in the Teachers' Retirement Law.

AB 4083 (Bannai, Chapter 1153, Statutes of 1974) recodified and specified the requirements for a benefit application to be considered valid, including that the application form must be executed no more than six months before the benefit effective date.

SB 647 (Harmer, Chapter 89, Statutes of 1974) established the use of unused sick leave in the calculation of service credit for CalSTRS benefit purposes.

AB 962 (Barnes, Chapter 1010, Statutes of 1972) established different benefit calculations for multiple retirements depending on the amount of time a member worked between retirements.

FISCAL IMPACT

Program Cost – None.

Administrative Costs/Savings – Minor and absorbable.

SUPPORT

CalSTRS (sponsor)

OPPOSITION

None known.

LEGISLATIVE STAFF CONTACT

Molly Nolan
Legislative Analyst,
CalSTRS Governmental Relations,
(916) 414-4022
mnolan@calstrs.com

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

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