

**AMENDMENT NO. 1 TO
THE CALIFORNIA TEACHERS ASSOCIATION
EMPLOYEES' RETIREMENT BENEFITS PLAN**

The undersigned hereby amend the following provisions of the above-named Plan and the parallel provisions of the Prior Plan as set forth on the following pages:

<i>Provisions Added or Amended</i>	<i>Effective Date and Time</i>
Section 1.1	January 1, 1986
Section 1.2	January 1, 1987
Section 3.2	January 1, 1986
Section 5.4	January 1, 1999
Section 5.5	January 1, 1988
Section 6.5.4	January 1, 1999
Section 6.6	January 1, 1986
Section 7.11.1	January 1, 1986
Section 7.8	January 1, 1986
Section 8.2	January 1, 1986
Section 8.3.1	January 1, 1986
Section 9.1.1	January 1, 1986
Section 12.3(a) and (c)	January 1, 1986
Section 13.3.2(a)	January 1, 1986
Section C.2 of Appendix A	January 1, 1999

EXECUTION

CALIFORNIA TEACHERS ASSOCIATION

By: _____

Dated: _____, 2001

CALIFORNIA STAFF ORGANIZATION

By: _____

Dated: _____, 2001

CALIFORNIA ASSOCIATE STAFF

By: _____

Dated: _____, 2001

**AMENDMENT NO. 1 TO
THE CALIFORNIA TEACHERS ASSOCIATION
EMPLOYEES' RETIREMENT BENEFITS PLAN**

1. Effective as of January 1, 1986, Section 1.1 is amended in its entirety to read as follows:

1.1 "Accrued Benefit" means for each Member the amount of benefit accumulated pursuant to the schedule set forth in Section 6.1, based on his or her Years of Credited Benefit Service up to the determination date. As of the relevant determination date, the portion of the Member's Accrued Benefit derived from:

(a) The Member's Required Contributions (as defined in Section 4.2) (if any) shall be equal to his or her Accumulated Required Contributions when expressed as an Actuarially Equivalent single life annuity commencing at the Member's Normal Retirement Age (as determined pursuant to Section C of Appendix A) (the Member's "**Employee-Derived Benefit**"); *provided, however*, that in no event shall a Member's Accrued Benefit be less than his or her Employee-Derived Benefit (if any); and

(b) Employer Contributions shall be equal to the greater of (i) the Member's Accrued Benefit less his or her Employee-Derived Benefit, or (ii) zero (the Member's "**Employer-Derived Benefit**").

2. Effective as of January 1, 1987, Section 1.2 is amended in its entirety to read as follows:

1.2 "Accumulated Required Contributions" means the sum of a Member's Required Contributions (as defined in Section 4.2), together with interest thereon credited and compounded annually, which interest shall be credited:

1.2.1 Pre-1976. Prior to January 1, 1976, at such rate as was determined by the State Association's Board of Directors;

1.2.1 1976 Through 1987. From January 1, 1976 through December 31, 1987, at 5% per annum; and

1.2.3 Post-1987. Effective as of January 1, 1988:

(a) For the period beginning on January 1, 1988 and ending on the Member's Retirement Date (as defined in Section 7.2), the date his or her membership terminates or another relevant determination date (the "**Calculation Date**"), at 120% of the federal mid-term rate (as in effect under Section 1274 of the Code for the first month of each Plan Year during that period); and

(b) For the period beginning on the Calculation Date and ending on the date the Member attains Normal Retirement Age, at the "applicable interest rate" (as defined in Section 417(e)(3)(A)(ii)(II) of the Code), *i.e.*, the annual rate of interest on 30-year Treasury securities (as published by the Board of Governors of the Federal Reserve System), for the third month before each Plan Year during that period.

3. Effective as of January 1, 1986, Section 3.2 is amended in its entirety to read as follows:

3.2 Rehired Members. The following rules shall apply to Rehired Members (i) whose employment with all Participating Employers terminated or who received benefit payments by reason of the withdrawal of their Employer from the Plan pursuant to Section 10, (ii) who are rehired by any Participating Employer after December 31, 1998 and (again) become Members, and (iii) whose employment with all Participating Employers terminates after that date:

(a) **Off Payroll Less Than 96 Months.** If the Member was a Vested Member when his or her former membership ended and had been off the payrolls of all Participating Employers for a period of *less than 96 months* before the date of rehire, or if the Member was not vested when his or her former membership ended but was rehired before incurring a Permanent Break in Service, credit shall be given for the nonforfeited Years of Vesting Service and Years of Credited Benefit Service which had accrued prior to the earlier termination ("**Prior Service Credit**"), and upon later termination the Retirement Allowance and Accrued Benefit shall be calculated on the basis of the aggregate Years of Credited Benefit Service for all membership periods, with both (1) the amounts of Monthly Compensation and Average Monthly Compensation, and (2) the benefit formula (including the period over which Average Monthly Compensation is determined), determined as of the *later* termination; and

(b) **Off Payroll 96 Months or More.** If the Member was a Vested Member who had been off the payrolls of all Participating Employers for a period of *96 months or more* before the date of rehire, Prior Service Credit shall be given in accordance with paragraph (a) above, but upon *later* termination, the portion of the Retirement Allowance and Accrued Benefit based on Years of Credited Benefit

Service for the prior membership period shall be calculated using Monthly Compensation, Average Monthly Compensation and the benefit formula determined as of the *earlier* termination.

(c) Repayment of Accumulated Required Contributions.

Notwithstanding the provisions of paragraphs (a) and (b) above, a Rehired Member who received his or her Accumulated Required Contributions upon termination of membership pursuant to Section 8.2 shall be entitled to restoration of his or her Prior Service Credit in accordance with paragraph (a) or (b) above only if he or she repays the total amount distributed, with interest thereon to date of repayment at the Repayment Rate, upon again becoming a Member.

(1) **“Repayment Rate”** means, for purposes of applying this Section 3.2(c), (i) 5% per annum, or (ii) 120% of the federal mid-term rate (as in effect under Section 1274 of the Code for the first month of each Plan Year during the repayment period), whichever yields the *lower* repayment amount.

(2) Such repayment, however, must be made (i) in one or more payments to the Trust Fund within two years of the date of rehire, or (ii) in installment payments, commencing during the period described in clause (i) above and continuing until the required repayment is made in full, at an annual rate not exceeding 10% of the Rehired Member’s annualized Monthly Compensation.

(3) If upon the Rehired Member’s later termination only partial repayment has been made, the Rehired Member shall be entitled to restoration of only a pro rata portion of the Prior Service Credit otherwise to be restored upon full payment in accordance with the preceding sentence.

4. Effective as of January 1, 1999, Section 5.4 is amended in its entirety to read as

follows:

5.4 Required Beginning Date. If a Member attains age 70½ after December 31, 1998, payment of his or her Plan benefits may not commence before his or her delayed retirement date but must commence no later than April 1 of the year following the later of (i) the calendar year in which his or her employment with all Participating Employers terminates, or (ii) the calendar year in which he or she attained age 70½. Any Member who attains age 70½ before January 1, 1999 must begin receiving Plan benefits by April 1 of the year following the calendar year in which the Member attained age 70½. Accrued Benefits will be paid in a manner which complies with the requirements of Section 401(a)(9) of the Code, including the minimum distribution incidental

benefit requirements of Section 401(a)(9)(G) of the Code and Prop. Treas. Reg. §§ 1.401(a)(9)-1 (Q&A A-3 and F-4A) and 1.401(a)(9)-2.

5. Effective as of January 1, 1988, Section 5 is further amended by adding the following new Section 5.5 at the end thereof:

5.5 Special Rules Governing Delayed Retirement Benefits.

5.5.1 General Rules. If a Member remains in employment with a Participating Employer beyond his or her normal retirement date (as defined in Section 5.1) (the “**Age 65 Date**”) and he or she receives a benefit suspension notice in accordance with Section 5.5.3, the Member’s delayed Retirement Benefit will begin on the earlier of (i) the delayed retirement date described in Section 5.3, or (ii) the mandatory commencement date described in Section 5.4 (the “**Age 70½ Date**”). Delayed retirement benefits will be determined in accordance with Section 6 and may be subject to actuarial increase (if applicable) as described in Section 5.5.2.

5.5.2 Actuarial Increase. If a Member remains in employment beyond his or her Age 65 Date, the Member’s delayed retirement benefit will be actuarially increased to reflect periods described below during which he or she does not receive benefits:

(a) If a Member does not receive a benefit suspension notice as described in Section 5.5.3, he or she will receive an actuarial increase for the period beginning on the Member’s Age 65 Date and ending on the earlier of:

- (1) the date the Member receives a benefit suspension notice; or
- (2) the date payment of the Member’s Retirement Allowance commences.

(b) If a Member remains in employment beyond age 70½, he or she will receive an actuarial increase for the period beginning on the April 1 that next follows the calendar year in which he or she attained age 70½ and ending on the date payment of the Member’s Retirement Allowance commences.

(c) A Member will receive an actuarial increase for any month beginning on or after his or her Age 65 Date during which he or she completes fewer than 40 Hours of Service related to the performance of duties.

(d) Any actuarial increase effected under the Section 5.5 will be based on the 1983 Group Annuity Mortality Table (Male), with interest at 6% per annum.

5.5.3 Benefit Suspension Notices. If a Member remains in employment beyond his or her Age 65 Date, the Board will send him or her a written notice of suspension of benefits. The notice will inform the Member that benefits are not being paid due to the Member's continued employment. The notice will describe the reasons for the suspension and the applicable procedures (pursuant to Labor Reg. § 2530.203-3) and will be sent within the first month of suspension. No benefit will be withheld unless the Member is notified at once of the reasons for the suspension and is given an opportunity to seek review of the suspension. A Member (i) may request a review by the Board of whether specific contemplated employment will result in suspension of benefits, and (ii) may appeal an unfavorable decision.

5.5.4 Benefit Adjustments. If a Member remains in employment beyond (or is reemployed after) his or her Age 65 Date, his or her Accrued Benefit will be adjusted annually as of each January 1 to reflect additional benefits accrued during the prior Plan Year. This adjustment will be made only to the extent the additional accrual exceeds the Actuarial Equivalent value of any portion of the Employer-Derived Benefit (as defined in Section 1.1(b)) paid to the Member. In the case of a Member who is not receiving payment of his or her Accrued Benefit, this adjustment will be made only to the extent the additional accrual exceeds the actuarial increase (if any) provided under Section 5.5.2.

6. Effective as of January 1, 1999, the portion of Section 6.5.4 that precedes paragraph (a) thereof is amended in its entirety to read as follows:

6.5.4 1999 Purchasing Power Adjustment. Effective as of January 1, 1999, the monthly amount of the Retirement Allowance payable from the Plan to any person who was receiving a Retirement Allowance immediately prior to January 1, 1999 shall be increased by *multiplying* (i) the monthly amount of the Retirement Allowance paid in December 1998, *by* (ii) the 1999 Purchasing Power Adjustment Factor (as listed on Exhibit C attached hereto) that corresponds to the Retirement Date (as defined in Section 7.2) of the retired Member or, with respect to a Deceased Member who died before his or her Retirement Date, the date of death of the Deceased Member (as defined in Section 8.3.1).

7. Effective as of January 1, 1986, Section 6.6 is amended in its entirety to read as follows:

6.6 Maximum Accrued Benefit. Notwithstanding any contrary Plan provision, in no event shall the Accrued Benefit of any Member exceed (i) an amount equal to 100% of the greatest amount of Monthly Compensation credited for any of his or her Years of Credited Benefit Service, as adjusted for cost of living increases under Section 415(d) of the Code, subject to Section 12.3(a) of the Plan; or (ii) the maximum amount permitted under Section 12 and Section 415 of the Code.

8. Effective as of January 1, 1986, Section 7.11.1 is amended in its entirety to read as follows:

7.11.1 Changes. The Member may, from time to time, change his or her Beneficiary by filing a new designation with the Board; *provided, however*, that (i) the new designation must be made in the same manner and subject to the same time limitations as set forth in this Section 7; (ii) the reduced monthly amounts payable under a previously elected joint and contingent annuity shall be recalculated to reflect any life expectancy differences and to assure satisfaction of Section 401(a)(9) of the Code; and (iii) the Member shall not change his or her designated Beneficiary under a joint and contingent annuity after payment of the Member's Retirement Allowance has commenced.

9. Effective as of January 1, 1986, the portion of Section 7.8 that precedes Section 7.8.1 is amended in its entirety to read as follows:

7.8 Optional Joint and Contingent Annuity Forms. Subject to the conditions and restrictions set forth in Sections 7.5 and 7.11, any Member may elect upon retirement to receive the Retirement Allowance payable in one of the following forms, each of which forms (a) shall be Actuarially Equivalent to the Member's Retirement Allowance as determined under Section 6; (b) shall provide that the payments to be made during the Member's lifetime will equal at least 50% of the present value of the Member's Retirement Allowance, determined as of the Member's Retirement Date (as defined in Section 7.2); and (c) shall provide that any contingent annuity benefits payable after the Member's death shall be paid no less rapidly than applies under the annuity form of payment in effect prior to the date of death (*i.e.*, for the remainder of the Beneficiary's life):

10. Effective as of January 1, 1986, Section 8.2 is amended in its entirety to read as follows:

8.2 Termination of Employment Before Vesting. Upon termination of employment prior to becoming a Vested Member, a Member:

(a) if the Member has an Employee-Derived Benefit (as defined in Section 1.1(a)):

(1) shall be entitled to receive in a lump sum payment an amount equal to his or her Accumulated Required Contributions as of the date his or her Plan membership terminates pursuant to Section 2.4; or

(2) if such amount exceeds \$5,000 (or any greater amount specified in Section 411(a)(11)(A) of the Code), he or she may elect in writing to receive either (i) an amount equal to his or her Accumulated Required Contributions as of the last day of the month preceding the date the election is filed with the Board, or (ii) his or her Employee-Derived Benefit in accordance with Section 7 (as if such benefit were a Retirement Allowance commencing on such last day) and subject to reduction for early commencement in accordance with Section 6.3.2 or, if payment commences before the Member has attained the age of 50 years, on an Actuarially Equivalent basis (as determined pursuant to Section F of Appendix A); and

(b) shall forfeit (subject to Section 3.2.(c)), and shall be deemed to have received a distribution of zero dollars (\$0.00) in respect of, his or her entire interest in his or her Employer-Derived Benefit (as defined in Section 1.1(b)) upon the later of (1) the date his or her Plan membership terminates pursuant to Section 2.4, or (2) if the Member had any Accumulated Required Contributions, the date payment is made or commenced pursuant to paragraph (a) above.

11. Effective as of January 1, 1986, Section 8.3.1 is amended by deleting from paragraph (b) the first sentence and subparagraph (2) and substituting the following therefor:

(b) Married Members. Subject to the Special Effective Date Rule set forth in Section 7.5.3 which applies to this Section 8.3.1(b), if the Deceased Member was married at the time of death, a surviving spouse benefit will be paid to the Deceased Member's surviving spouse for life, beginning at a date determined by the surviving spouse, which is (i) no earlier than on the date the Deceased Member would have first become eligible to begin receiving early retirement benefits had he or she survived until then, and (ii) no later than the later of (A) the date the Deceased Member would have attained Normal Retirement Age, or (B) the date of his or her death. ...

* * *

(2) Non-Vested Members. In the case of a Deceased non-Vested Member, the Deceased Member's Employee-Derived Benefit (if any) shall be converted to an Actuarially Equivalent life annuity on the surviving spouse's life, beginning on the later of (i) the date of the Deceased Member's death, (ii) the date the Deceased Member would have first become eligible to begin receiving early retirement benefits if he or she had survived until then, or (iii) the date the Deceased Member would have attained age 70½. In lieu of this benefit the surviving spouse may elect in writing, after the Deceased Member's death, to receive a lump sum payment in an amount equal to the Deceased Member's Accumulated Required Contributions (if any).

12. Effective as of January 1, 1986, Section 9.1.1 is amended in its entirety to read as follows:

9.1.1 Vesting Rule Change. Any amendment changing vesting requirements in a manner which could adversely affect, whether directly or indirectly, the vested interest of any Member with at least three Years of Vesting Service in his or her Employer-Derived Benefit shall entitle each such Member to elect to have his or her vested rights determined under the Plan provisions in effect prior to the amendment; *provided* that in no event shall the nonforfeitable percentage of the Member's vested interest his or her Employer-Derived Benefit be less than the percentage determined under the Plan as in effect immediately prior to the effective date of the amendment.

13. Effective as of January 1, 1986, Section 12.3 is amended by amending paragraphs (a) and (c) in their entireties to read as follows:

(a) The limiting amounts, including the \$90,000 dollar limit specified in Section 415(b)(1)(A) of the Code, shall be periodically adjusted to reflect changes in the cost of living to the fullest extent permissible, both prior to and after the commencement of the Member's Retirement Allowance, using the adjustment methods and base period described in Section 415(d)(2) and (3) of the Code and (only in the case of the dollar amount limit specified in Section 415(d)(1)(A) of the Code) the rounding convention specified in Section 415(d)(4) of the Code.

* * *

(c) Any special rules applicable to collectively bargained plans, multiemployer plans and/or plans maintained by tax-exempt organizations shall be applied to the extent applicable.

14. Effective as of January 1, 1986, Section 13.3.2(a) is amended in its entirety to read as follows:

(a) **Applicability.** If the Plan becomes Top-Heavy, then for the first Plan Year that the Plan is Top-Heavy, and for all subsequent Plan Years, the minimum benefit set forth in subparagraph (b) below shall apply to all Top-Heavy Employees who have not separated from service at the end of any such Plan Year or have a Year of Vesting Service during any such Plan Year, without regard to whether or not the Member made any Required Contributions for such Plan Year.

15. Effective as of January 1, 1999, Section C.2 of Appendix A is amended in its entirety to read as follows:

2. **“GATT Interest Rate”** means the “applicable interest rate” (as defined in section 417(e)(3)(A)(ii)(II) of the Code), *i.e.*, the annual rate of interest on 30-year Treasury securities (as published by the Board of Governors of the Federal Reserve System) for the third month before the calendar year in which the applicable determination is made or lump sum payment date occurs.