

STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Senate Bill 437 **Senator Rainey (As Amended 4/5/99)**

Position: **Support, if amended**

Proponents: **Author**

Opponents: **None known**

SUMMARY

SB 437 restores benefits paid in the future to a surviving spouse of a deceased CalSTRS member if the surviving spouse previously lost entitlement to survivor benefits due to remarriage prior to October 16, 1992.

HISTORY

Prior to October 15, 1992, CalSTRS had just one program to provide benefits to families of members who died before retirement. Under that program, the designated beneficiary or surviving spouse of a deceased member received a \$2,000 lump-sum death payment. A continuing monthly allowance was provided to the surviving spouse equal to 40% of the member's final compensation plus an additional 10% of the member's final compensation for each eligible dependent child, up to a maximum of 90% of the member's final compensation. This allowance ceased when the youngest child attained the age of 18, the youngest child was between age 18 to 22 and discontinued full-time school attendance, or marries. Upon reaching age 60, if there are no dependent children, the surviving spouse would receive an allowance equal to the allowance payable under Option 3. Any allowance being paid to the surviving spouse was terminated if the surviving spouse remarried.

Chapter 1166, Statutes of 1992 (SB 1885-Green) was part of a package of legislation that created a new disability and survivor benefit program for new members and electing existing members. One of the provisions of Chapter 1166 repealed the provision that terminated the allowance payable to a surviving spouse when the surviving spouse remarried. It did not, however, restore the benefits of these surviving spouses that had previously been terminated.

SUMMARY OF LATEST AMENDMENTS

The April 5th amendments made technical changes to the phrasing of the bill's provisions for potential survivor beneficiary notification.

CURRENT PRACTICE

Prior to October 16, 1992, a surviving spouse of a member receiving a survivor benefit allowance lost his or her benefits upon remarriage. Under existing law, a surviving spouse of a deceased member who lost benefits due to remarriage is not entitled to resume benefits payments.

DISCUSSION

SB 437 entitles the surviving spouse of a deceased member who previously lost entitlement to benefits due to remarriage to resumed payment of the benefits, effective January 1, 2000, or the first of the month following receipt by the Teachers' Retirement Board of a written application for resumption of benefits, whichever date is later.

The amount of the benefit payable will be calculated as though the benefit had been paid without interruption from the date of remarriage through the date the benefit is resumed. As a result, the restored benefit would reflect any cost-of-living adjustments that would have been added to the allowance, if the allowance had not been terminated.

Under SB 437, the Board has no duty to identify, locate, or notify a remarried spouse whom previously lost entitlement about his or her rights to resume benefits. Likewise, the bill specifies that the Board has no duty to provide the name or address of any remarried spouse to any person, agency, or entity for the purpose of notifying those who may be eligible to resume benefits. The bill states that nothing in the bill should be construed to imply that the benefits addressed in SB 437 will be paid retroactively.

FISCAL IMPACT

Benefit Program - At least 96 individuals remarried prior to October 16, 1992 and would be eligible to resume payments under the provisions of SB 437. In addition to these 96 individuals, there are 345 surviving spouses that began receiving benefits prior to October 16, 1992 and currently continue to receive benefits, who may or may not have remarried. The total estimated costs in current dollars of the resumed benefits available under SB 437 to the 96 to 441 individuals who may be eligible is about \$12 million to \$56 million. Financing these costs would require an increase in annual contributions equal to .004% and .017% of payroll, respectively. This is equivalent to \$664,000 to \$3 million initially, which would increase annually with increased payrolls. The bill does not provide any funding for these benefits.

Administrative - The bill does not require CalSTRS to locate potentially eligible surviving spouses that remarried, nor provide this information to third parties. Any costs incurred to process applications for restored benefits would be approximately \$67,000 on an ongoing basis and absorbable within existing resources. This estimate includes staff work identifying eligible surviving spouses and the processing for those resuming payments.

POSITION—Support, if amended

The Board supports SB 437 if it is amended to identify a funding source for the proposed benefits. The source of funding for the proposed benefits could be additional contributions to the system or as part of a comprehensive program to use surplus assets of the Defined Benefit Program on a systematic basis.