

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Assembly Bill 106

Assembly Member Corbett (As introduced 01/10/03)

Position:

Support, if amended

Proponents:

Author

Opponents:

None known

SUMMARY

Assembly Bill 106, for purposes of receiving survivor benefits under the Defined Benefit (DB) Program, defines a spouse as a person who was continuously married to a member for the period beginning prior to an injury or onset of an illness that resulted in the member's death.

RELATED BILLS

Assembly Bill 91 (Dutton); for purposes of receiving survivor benefits, defines a spouse as a person who was married for less than 12 months if the member's death was accidental, and the accident that led to the member's death occurred after the marriage.

HISTORY

Chapter 634, Statutes of 1996 (SB 2041—Hughes) for purposes of receiving survivor benefits, defines a spouse as a person who was married to the member for a continuous period beginning at least 12 months prior to the death of the member unless a child is born to the member and his or her spouse within the 12-month period or unless the spouse is carrying the member's unborn child.

Chapter 933, Statutes of 1994 (AB 3171—Napolitano) for purposes of receiving survivor benefits, defines a spouse as a person who was married to the member at least 12 months prior to the death of the member, unless a child is born to the union within the 12-month period or the surviving spouse is carrying the member's unborn child.

Chapter 1153, Statutes of 1974 (AB 4083—Bannai) among other things, revises the definition of the term "spouse".

CURRENT PRACTICE

The California State Teachers' Retirement System (CalSTRS) provides ongoing benefits to the surviving spouse of a member of the DB Program when the member dies while working in CalSTRS-covered service. These benefits vary depending upon the benefit coverage elected by the member. If the member was under Coverage A (available to people who were DB program members on or before October 15, 1992, and elected Coverage A), the surviving spouse receives a benefit equal to 40 percent of final compensation, plus 10 percent of final compensation for each dependent child, up to an additional 50 percent. A surviving spouse with no dependent children can receive a return of contributions and interest, or a monthly allowance as if the member had worked until age 60, and then retired. Under Coverage B (available to all other members), the surviving spouse receives a monthly benefit based on an amount equal to 50 percent of what the member would have received if the member retired under Option 3 at the time of the member's death.

In order to be considered a surviving spouse, and for purposes of receiving an ongoing benefit, a person must have been "continuously married to the member for the period beginning at least 12 months prior to the death of the member unless a child is born to the member and his or her spouse within the 12-month period or unless the spouse is carrying the member's unborn child, or for the period beginning prior to the occurrence of the injury or onset of the illness that resulted in death." The mandatory 12-month waiting period was incorporated in current law as a system safeguard to prevent "death bed" marriages that result in a lifetime monthly family allowance or survivor benefit allowance.

Other state teachers' retirement systems currently have no similar law. Minnesota, Colorado and Texas, for example, consider the surviving spouse legally married at the member's death, regardless of the length of marriage, and is therefore entitled to receive full death benefits. Florida Retirement System entitles the spouse at age 60, to receive an allowance that is based on the member's projected service and projected final compensation. The New York State and Local Retirement systems provide the surviving spouse no automatic rights to receive benefits.

DISCUSSION

AB 106 extends existing survivor benefits to a surviving spouse who was continuously married to the member for the period beginning prior to the injury or onset of an illness that resulted in the member's death.

The author believes that lifetime benefits should be provided to the surviving spouse who has been married for less than a year and the member dies, due to an injury or onset of an illness. AB 106 provides an opportunity for more surviving spouses to receive ongoing benefits from the DB Program while retaining system safeguards that prevent ongoing benefits being paid as a result of "death bed" marriages.

In order to determine whether a surviving spouse is eligible for ongoing benefits, the member's physician would be required to provide certification of the diagnosis of the illness or occurrence of the injury that resulted in death after the date of the marriage. This is a current requirement for cases under Coverage A of the DB Program where a member was continuously incapacitated from the last day for which compensation had been paid through the date of death. In addition, determination of the accident may require previous medical records to verify whether a member had any pre-diagnosed conditions that would have resulted in premature death. However, it is sometimes difficult to determine life expectancy on a retroactive basis after death occurs.

Provisions in the bill regarding the period prior to the occurrence of the injury do not address cases where members sustaining an accident result in a heart attack or stroke. The language is unclear whether an illness occurred before the marriage and later resulted in death. Additionally, it does not address deaths that result from secondary injury or illness caused by an earlier injury or illness prior to the marriage, or whether deaths that occurred as a result of health conditions that existed prior to the marriage such as heart attack or stroke would apply. A surviving spouse may have problems in providing proof of the "onset of an illness." Therefore, CalSTRS staff recommends amending language in the bill to clarify the date of the occurrence of the injury or diagnosis of the illness that resulted in death.

AB 91 (Dutton) proposes similar change in the definition of a spouse for purposes of receiving ongoing benefits, but does not address the onset of an illness that results in a member's death.

CalSTRS has not maintained statistical data on previous cases that were denied based on the current 12-month period. However, CalSTRS staff estimates this bill will affect the families of approximately 18-24 members per year. By providing a lifetime monthly allowance for these cases, a small amount of additional staff resources will be required as dependent children become adults and surviving spouses receive benefit estimates. In addition, CalSTRS staff will be evaluating whether the lack of a minimum period of marriage had any adverse impact on other pension plans, and will discuss with the author whether additional expansions of this benefit would be appropriate.

FISCAL IMPACT

Benefit Program Cost – The System Actuary estimates that the total present value cost of this proposal would be \$11 million. This is based on approximately 18-24 cases per year and an annual increase in teacher's salaries of 4.25 percent per year.

Administrative Costs – None

BOARD POSITION

Support if amended to clarify the application of the bill for some accidental death or illness scenarios. This legislation would protect a spouse when a member dies suddenly, regardless of the duration of the marriage.