

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Assembly Bill 106 **Assembly Members Corbett and Dutton (As amended 3/20/03)**

Position: **Support**

Proponents: **Author**

Opponents: **None known**

SUMMARY

Assembly Bill 106, for purposes of receiving survivor benefits under the Defined (DB) Program, defines a spouse as a person who was continuously married to a member for less than 12 months prior to the accidental death of the member, or for the period beginning prior to the occurrence of the injury or diagnosis of an illness that resulted in the member's death.

RELATED BILL

Assembly Bill 91 (Dutton) for purposes of receiving survivor benefits under the DB Program, 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".

SUMMARY OF CHANGES

The March 20, 2003 amendments clarify the benefit eligibility of a spouse who was married to the member for less than 12 months, if the member's death was accidental, and the time period of the occurrence of the injury or diagnosis of the illness that resulted in the death of the member.

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. If the surviving spouse has no dependent child, the surviving spouse 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. The Florida Retirement System entitles the spouse to receive an allowance at age 60 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 less than 12 months, if the member's death was accidental, and for the period beginning prior to the injury or diagnosis 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 diagnosis 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 stating that the member could not reasonably have been expected to live for twelve months after the date of the marriage. This is currently required for cases under Coverage A of the DB Program where a member was continuously incapacitated from the last day on the job through the date of death. In addition, depending upon the accident, previous medical records may be required to verify whether a member had any pre-diagnosed conditions that would have resulted in premature death.

Provisions in the bill will assist CalSTRS in determining the eligibility of a spouse for survivor benefits under some accidental death or illness scenarios, if they were married to a member for less than 12 months and the death of the member was due to an accident as defined, or diagnosed illness that resulted in the 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 Costs – 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. This legislation would protect a spouse when a member dies suddenly, regardless of the duration of the marriage. This is consistent with CalSTRS' goal to proactively develop benefits and products that meet customer needs.