

Spousal Consent

Issue

Under what circumstances should spousal consent be required when choosing a joint and survivor option?

Background

Under current law, written consent is required for any married member who:

- ❖ Does not elect a survivorship benefit;
- ❖ Names someone other than a spouse as their survivor beneficiary; or
- ❖ Chooses a benefit that is not the Joint and 50 Percent Option.

The Department of Retirement Systems (DRS) requested that the Committee study and consider sponsoring a bill that would require written consent only when a member chooses a benefit less than the Joint and 50 Percent Option, or names someone other than their spouse as their survivor beneficiary.

Under current law, members of most plans administered by DRS have the option of selecting a survivorship benefit as part of their pension benefit upon retirement.

With a survivorship benefit, the member's lifetime monthly benefit is actuarially reduced. This means that today's value of the member's lifetime benefit remains the same, however depending on the benefit option selected, the monthly payments received by the member may be larger or smaller. The payments may be larger or smaller because they are stretched out over the course of the member's and survivor beneficiary's lifetime.

Stakeholder Proposal

	Current Law		Proposal	
	Spouse	Not Spouse	Spouse	Not Spouse
Single Life <i>No Survivorship Benefit</i>	Written Consent Required ✓	Written Consent Required ✓	Written Consent Required ✓	Written Consent Required ✓
Joint 50% <i>Half Survivorship Benefit</i>	Not Required ✗	Written Consent Required ✓	Not Required ✗	Written Consent Required ✓
Joint 66.67% <i>Two-Thirds Survivorship Benefit</i>	Written Consent Required ✓	Written Consent Required ✓	Not Required ✗	Written Consent Required ✓
Joint 100% <i>Full Survivorship Benefit</i>	Written Consent Required ✓	Written Consent Required ✓	Not Required ✗	Written Consent Required ✓

Highlights

- ❖ There is no expected fiscal impact to the retirement systems because behavior is not expected to change.
- ❖ If behavior were to change, a fiscal impact would still not be expected because the survivorship payment forms use administrative factors that are intended to be actuarially equivalent.
 - ◇ Regardless of the benefit payment form chosen, whether paid over a member's lifetime, or over the member's lifetime and a survivor beneficiary's lifetime, the actuarial liability at retirement is expected to be the same.

Committee Activity

The Select Committee on Pension Policy (SCPP) studied this issue at the June, July, and September meetings. In September, the SCPP voted to recommend the bill draft to the Legislature.

Recommendation to the 2019 Legislature

Remove the requirement for spousal consent when the member selects a joint and survivor benefit of more than 50 percent for their spouse.

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