COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2750S.01I
Bill No.: SB 608
Subject: Family Law; Retirement - Schools; Retirement Systems and Benefits - General; Teachers
Type: Original
Date: April 27, 2021

Bill Summary: This proposal modifies provisions related to the Public School Retirement System and Public Education Employee Retirement System.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** have reviewed this proposal. This proposal has no fiscal impact to the JCPER. The JCPER's review of this proposal indicates that its provisions would not create a "substantial proposed change" in future plan benefits as defined in section 105.660 (10).

Officials from **Public Schools and Education Employee Retirement Systems** state, currently, Sections 169.141 and 169.715 allow for any Public School Retirement System (PSRS) or Public Education Employee Retirement System (PEERS) retiree that selects a joint-and-survivor plan and has a subsequent divorce be allowed to return to a single life option upon receipt of the application by the System.

- This provision will only occur if the divorce decree provides for sole retention of their retirement benefits.
- Retroactive benefits are not payable.
- The divorce must occur on or after September 1, 2017.

In addition, the current law also allows for any retiree that selects a joint-and-survivor plan and has a divorce after retirement but prior to September 1, 2017 to be allowed to return to a single life option upon receipt of the application by the System provided that they comply with the following criteria:

For divorces that occurred before September 1, 2017, and the divorce decree clearly states that the retiree retains sole retention of his/her retirement benefit and the ex-spouse is relinquishing all rights, the following must occur:

- The parties can obtain an amended or modified divorce decree after September 1, 2017 or
- The nominated spouse consents in writing to his/her immediate removal as nominated beneficiary and disclaims all rights to future benefits to the satisfaction of the Board. (The Systems would develop a form to be used in this circumstance.)

For divorces that occurred before September 1, 2017, and the divorce decrees does not provide for sole retention by the retired person, the parties must obtain an amended or modified divorce decree after September 1, 2017, which provides for sole retention by the retired person of all rights to the retirement allowance.

Retroactive benefits for divorce pop-up are not payable.

SB 608 relates to members of PSRS and PEERS who retired before September 1, 2015 and choose a joint-and-survivor plan and elected to list their same-sex domestic partner as a nominated beneficiary.

The Missouri Marriage Definition Amendment, also known as Amendment 2, was on the August 3, 2004 ballot in Missouri as a legislatively referred constitutional amendment, where it was approved. The measure amended the Constitution so that only marriages between a man and a woman would be valid and recognized in the state. On June 26, 2015, the U.S. Supreme Court held in a 5 to 4 decision that the Fourteenth Amendment requires all states to grant same-sex marriages and recognize same-sex marriages granted in other states.

SB 608 allows that a member who elected to receive reduced monthly payments on or before September 1, 2015, with his or her same-sex domestic partner as the nominated beneficiary may have the retirement allowance increased to the amount he or she would have received if he or she had not elected to receive reduced payments.

The member must do the following:

- The member must execute an affidavit, along with any supporting information and documentation required by the Board of Trustees, attesting to the existence of the domestic partnership at the time of the nomination and that the partnership has since ended.
- The nominated beneficiary must consent to the removal and disclaim all rights to future benefits in writing, or the parties must obtain a court order or judgment after September 1, 2021, removing the nominated beneficiary.

If the member and beneficiary were legally married at the time of retirement or thereafter, the marriage must be dissolved, and the dissolution decree must provide for the sole retention of the allowance by the member.

A member who elected to receive reduced monthly payments on or before September 1, 2015, with his or her same-sex domestic partner as the nominated beneficiary may nominate a successor beneficiary. If the former nominated partner precedes the member in death, the member must execute an affidavit attesting to the existence of the partnership at the time of the former nomination. Otherwise, the member must execute an affidavit, along with any supporting information and documentation required by the Board of Trustees, attesting to the existence of the domestic partnership at the time of the nomination and that the partnership has since ended, and the nominated beneficiary must consent to the removal and disclaim all rights to future benefits in writing or the parties must obtain a court order or judgment after September 1, 2021, removing the nominated beneficiary.

If the member and beneficiary were legally married at the time of retirement or thereafter, the marriage must be dissolved, and the dissolution decree must provide for the sole retention of the allowance by the member. Any nomination of a successor beneficiary must occur within one year of September 1, 2021, or within one year of marriage, whichever is later.

SB 608 would impact a very limited group of retired members. PSRS/PEERS retiree must be in a same-sex domestic relationship, retired prior to September 1, 2015, and elected one of the joint and survivor payment options at retirement in order to be eligible to qualify for this statute. As of June 30, 2020, 28,414 of 58,855 PSRS service retirees, or 48%, are receiving a joint and survivor benefit option. There are only 67 PSRS members (0.1%) that could be impacted by this provision. As of June 30, 2020, 9,646 of 30,166 PEERS service retirees, or 32%, are receiving a joint and survivor annuity benefit option. There are only 7 PEERS members (0.02%) that could be impacted by this provision.

The Systems have an actuary firm, PricewaterhouseCoopers (PWC), that prepares actuarial statements on any proposed legislation as well as the annual actuarial valuation reports for the Systems. PWC is still working on the completion of a cost statement on SB 608. As soon as the actuarial statement is completed, they will be updating their fiscal note response to include their analysis and actuarial statement.

PSRS/PEERS provide retirement benefits to more than 129,000 active members and nearly 98,000 retired Missouri public school teachers, school employees, and their families. The total invested assets of both PSRS and PEERS were $51 billion as of December 31, 2020, making the combined entity larger than all other public retirement plans in the state combined, and the 45th largest defined benefit plan in the United States.

Per the cost estimate conducted by PricewaterhouseCooper, the impact of the proposed provisions is estimated to be an insignificant fiscal gain to PSRS and PEERS.

Oversight assumes the impact to the retirement systems would be immaterial. Therefore, Oversight will reflect a zero impact in the fiscal note for the employer members, School Districts and Community Colleges.

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
	$0	**$0**	**$0**

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
	$0	**$0**	**$0**

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Public Schools and Education Employee Retirement Systems

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April 27, 2021

Ross Strope
Assistant Director
April 27, 2021