

- 8) Requires judges to make employee contributions equal to 8 percent of their monthly salary for JRS II classic members and one-half the normal cost for JRS II PEPRA members, projected to be 16.75 percent for 2026-27. (Government Code § 75601)
- 9) Provides a judge who does not qualify for a retirement allowance but who has served at least 5 years to receive the judge's Monetary Credits.
- 10) Provides a judge who does not serve 5 years an amount equal to the judge's employee contributions.
- 11) Provides, in the event of a judge's death, a survivor's benefit to the judge's spouse, including domestic partner. The survivor benefit available depends on if the judge died before or after retirement, and if the former, whether the judge was eligible for a service or deferred retirement. The survivor benefit is designed into the funding mechanism of the JRS II plan and does not require the judge to opt for a reduced pension to fund it. (Government Code § 75590 et seq.)
- 12) Provides, in the event of a judge's death, a separate benefit from the survivor benefit, known as an optional settlement benefit which is also payable to the judge's surviving spouse. The optional settlement benefit available depends on if the judge died before or after retirement, and if the former, whether the judge was eligible for a service or deferred retirement. In contrast to the survivor benefit, if the judge chooses to provide a retirement allowance to the judge's surviving spouse under the optional settlement benefit, the judge must take a reduction in the judge's pension allowance to fund the optional settlement. (Government Code § 75571 et seq.)
- 13) Restricts or reduces certain JRSII benefits if the judge is divorced based on the community property rights of the judge's ex-spouse. (Government Code § 75550 et seq.)

This bill:

- 1) Substitutes the term "designated beneficiary" for "surviving spouse" in provisions of existing law that regulate the JRS II *optional settlement benefit*.
- 2) Also substitutes the term "designated beneficiary" for "surviving spouse" in provisions of existing law that regulate the JRS II *survivor benefit*.
- 3) Permits a judge at any time to designate a beneficiary, as specified, to receive benefits payable under JRS II's provisions providing optional settlement benefits. The designation may not be made in derogation of the community property share of any nonmember spouse. The designation may be made for a class of beneficiaries.
- 4) Deletes the requirement that a judge must have served for 20 years for a survivor's allowance benefit to apply to a judge who dies in office.
- 5) Adds to the provision regulating survivor benefits, a reference to the optional settlement benefit for the survivor of a judge retiring on or after January 1, 1, 2018. The bill appears to make an erroneous reference to Option 1 instead of Option 2. The former only provides the survivor with a return of the judge's contributions but no lifetime allowance. The latter

provides a lifetime allowance to the survivor equal to 100 percent of the judge's retirement allowance.

COMMENTS

1. Background:

This bill appears to conflate two separate JRS II death benefit structures – the survivor allowance benefit and the optional settlement benefit – and attempts to allow a judge to name any beneficiary the judge chooses to both benefits. The confusion is understandable given that in JRS II both benefits are available only to the surviving spouse, while in other retirement systems the *survivor allowance benefit* is only available to the surviving spouse while the *optional settlement benefit* is available to any beneficiary designated by the retirement system member.

Survivor allowance benefit v. optional settlement benefit

Both benefits are essentially death benefits payable upon the judge's death. The essential difference is that the costs of the *survivor allowance benefit* are automatically built into the funding structure of the retirement system. It is essentially pre-funded by JRS II's employer contributions, employee contributions, and investment return. Thus, the judge receives his or her full pension allowance without reduction and if the judge predeceases his or her spouse, the spouse (including a domestic partner) receives a lifelong pension allowance based on the judge's pension.

In contrast, the judge must pay for the *optional settlement benefit* by accepting a reduction in the judge's retirement allowance based on the actuarial cost of providing the benefit to the judge's designated beneficiary. Unlike other systems, judges can only name their spouse as a beneficiary of the optional settlement benefit.¹

The benefits are further confused by their interaction with protected community property rights of a nonmember ex-spouse, which essentially reduce the amount of funds available to provide a second survivor benefit or an optional settlement benefit.

In any case, a fundamental point in assessing these benefits is that the total cost of the judge's pension, any *second* survivor benefit, and any optional benefit must be actuarially the same as the judge's pension alone had he or she survived to the actuarial expected age. If that fails to happen, then JRS II's unfunded liability increases and costs are passed on to future generations through increased employer and employee contributions.

Committee comments

By replacing all references to "surviving spouse" with "designated beneficiary" and allowing a judge to name any beneficiary to both survivor benefits and option settlement benefits, this bill as currently drafted significantly expands JRS II death benefits, undermines the

¹ The rationale for limiting the judge's *optional settlement* beneficiary to the spouse instead of any designated beneficiary derives from JRS II's greater flexibility in providing a *survivor benefit* to a second spouse, which other systems traditionally did not do, and the need to fund that benefit.

automatic funding mechanism of existing survivor benefits, and creates increased unfunded liability for JRS II or requires JRS II to make the required judge's pension reduction that funds optional settlement benefits prohibitively expensive so that a judge would face a dire choice of receive almost no pension or leaving no benefit for the judge's beneficiaries upon the judge's death.

The bill's proponents have indicated to committee staff that such an outcome was not intended and that their objective is rather to allow greater flexibility to name beneficiaries to the optional settlement benefit. Thus, they are working with CalPERS (who administers JRS II) to develop significant amendments to address the concerns outlined above. Those amendments were not available by the committee's deadline for author amendments.

2. Committee Amendments

In order to avoid holding this bill in committee, address the committee's concerns outlined above, and achieve the author and proponents' stated objective, the committee recommends adopting committee amendments that do the following:

- Restore the term "surviving spouse" to JRS II provisions regulating the *survivor benefit*;
- Clarify that judges may designate non-spouse beneficiaries to the *optional settlement benefit*;
- Clarify that judges who die in office but qualify for retirement by serving 5 years and reaching age 70 instead of 20 years and age 65 are eligible to provide survivor benefits to their surviving spouse; and
- Clean-up erroneous technical references and other related technical and clarifying amendments to ensure that any expansion of benefits is actuarial sound.

Additionally, the committee understands and expects that the author commits to work with CalPERS to develop language addressing the issue of a surviving spouse having to be married to the judge one year prior to the judge's retirement and until the judge's death to be eligible for a survivor benefit.

3. Need for this bill?

According to the author:

"AB 1844 seeks to address two beneficiary related issues within the Judges' Retirement System II (JRS II) by allowing judges to designate a non-spouse beneficiary to receive survivor retirement benefits and by extending existing survivor protections to older vested judges. JRS II currently prohibits judges from naming a non-spouse beneficiary to receive ongoing pension benefits after death and requires judges to serve 20 years before electing a survivor benefit option despite the judge being fully vested into the retirement system. AB 1844 corrects this inequity, aligns JRS II with every other major public retirement system in California, and is actuarially neutral."

4. Proponent Arguments

According to the California Judges Association:

“Under current law, JRS II generally permits only a spouse or registered domestic partner to receive ongoing survivor pension benefits. As a result, unmarried judges—including those with long-term partners, adult children, or other dependents—cannot designate a beneficiary to receive continuing retirement benefits following their death. This limitation is unique to JRS II; other major California public retirement systems, including CalPERS, CalSTRS, and the University of California Retirement Plan, permit the designation of non-spouse beneficiaries.”

“AB 1844 modernizes the system by authorizing judges to designate a non-spouse beneficiary to receive survivor retirement benefits and by aligning survivor benefit elections with standard vesting requirements. These changes ensure that vested judges are able to protect a beneficiary in the event of death while maintaining actuarial neutrality within the system.”

5. Opponent Arguments:

None received.

6. Prior Legislation:

AB 1293 (Cooley, Chapter 304, Statutes of 2021) required the California Public Employees' Retirement System (CalPERS) to annually retest pensions for retired members of the Judges Retirement System (JRS I), Judges Retirement System II (JRS II), and the Legislators Retirement System against the most recent federal limitation on compensation and benefits pursuant to 26 U.S.C. Section 415.

AB 2879 (Strom-Martin, Chapter 661, Statutes of 2002) provided that a judge who elects a survivor benefit, dies in office with 20 or more years of service, and was of retirement age, then the judge's surviving spouse shall receive a survivor's allowance equal to the amount the judge would have received if the judge had retired on the date of death and had elected optional settlement two.

AB 1099 (Havice, Chapter 433, Statutes of 2001) allowed a judge who elected an option benefit at the time of retirement to revert to the judge's unmodified allowance if the judge's spouse predeceases the judge.

SUPPORT

California Judges Association (Sponsor)

OPPOSITION

None received

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