

SUBJECT: Changing an ERS retiree's annuity when beneficiary agrees

COMMITTEE: Pensions and Investments — favorable, without amendment

VOTE: 5 ayes — Telford, Johnson, Averitt, Haggerty, Rangel

0 nays

4 absent — Berlanga, McCall, Willis, Wilson

WITNESSES: For — None

Against — None

On — William Nail, Employees Retirement System

BACKGROUND: The standard state employee retirement benefit is calculated by multiplying the 36 months of highest compensation service by 2 percent for each year of credit in the Employees Retirement System (ERS).

ERS retirees may select, in lieu of the standard retirement benefit, an optional lifetime plan that provides an annuity for a beneficiary after the retiree dies. The beneficiary must be designated before the worker retires.

A retiree may change from the optional retirement plan to a standard annuity plan only if the optional plan beneficiary was not the retiree's spouse or child at the time of being designated a beneficiary nor at the time of the change.

DIGEST: HB 680 would allow an ERS retiree who had selected an optional retirement annuity to change to a standard annuity if the beneficiary was not currently the retiree's spouse or child and the transfer and release of benefits was authorized by the beneficiary and approved by a court. HB 680 would take effect immediately if approved by two-thirds of the membership of each house.

SUPPORTERS SAY: HB 680 would allow a retiree whose personal situation has changed to change retirement annuity plans, as long as the designated beneficiary and a court agreed. The optional retirement plan provides a reduced retirement benefit during the retiree's lifetime, followed by an annuity for a beneficiary, compared to the standard full annuity paid during the retiree's lifetime. The bill would let a retiree change plans and get the larger monthly benefit of the standard plan when the named beneficiary was no longer the spouse or child of the retiree and all concerned agree and received court approval. In other words, if a retiree's former spouse agreed to relinquish rights to an annuity and a court approved the change, the retiree could receive the standard annuity.

OPPONENTS SAY: The proposal in the bill makes good sense but could be improved by giving the retiree an additional option: to keep the optional plan and designate another beneficiary.

NOTES: HB 679 by Craddick, which was reported favorably by the Pensions and Investments Committee on March 15 and is pending in the Local and Consent Calendar Committee, would require ERS to revoke a beneficiary's status based on a divorce settlement, and would allow the retiree to change to a standard annuity or change beneficiaries.