

SUBJECT: Retroactive retirement benefits to spouses of deceased TRS members

COMMITTEE: Pensions and Investments — committee substitute recommended

VOTE: 6 ayes — Woolley, Berlanga, Goolsby, Rangel, Serna, Tillery
0 nays
2 absent — Sadler, Williams
1 present, not voting — Telford

WITNESSES: For — William Diesing
Against — Mike Lehr, Texas Retired Teachers Association
On — Ronnie Jung, Teacher Retirement System

BACKGROUND : In 1993 the Teacher Retirement System allowed surviving beneficiaries who had remarried prior to September 1, 1980 to begin receiving survivor benefits September 1, 1993.

DIGEST: CSHB 209 would allow a surviving beneficiary who remarried and had become ineligible for benefits due to remarriage before September 1, 1980, to receive a lump sum amount. The lump sum amount would be computed by multiplying \$75 times the number of months the beneficiary was 65 years of age or older and did not receive monthly survivor benefits between the date the person remarried and August 31, 1980, plus \$100 times the number of months the surviving beneficiary was 65 years or older and did not receive monthly benefits beginning on September 1, 1980, or the date the person remarried, whichever was later.

The bill would take immediate effect if finally approved by a two-thirds record vote of the membership of each house.

SUPPORTERS SAY: CSHB 209 would allow those surviving beneficiaries who remarried prior to September 1, 1980 and were 65 years of age and unable to continue receiving survivor benefits to receive past lost benefits in a lump sum. The bill would treat all surviving beneficiaries who remarried equally regardless of the date of spouses death or the date of remarriage. In 1980, the Teacher Retirement System began to allow surviving beneficiaries to continue receiving benefits even if they remarried; surviving beneficiaries who fell under the pre-1980 law should be reimbursed for their lost benefits.

The TRS estimates that there are about 100 surviving spouses and that the average lump sum payment would be about \$20,000. The bill would not affect the actuarial soundness of the TRS as it would only cost \$2 million if all those eligible applied for the lump-sum benefit. In 1993 only about 60 of the 400 people eligible to receive surviving spouse benefits applied for the benefit, which would indicate that only a handful of people would apply for the lump-sum benefit.

OPPONENTS SAY: The lump-sum payment provided by this bill would be retroactive, which is not wise pension policy. If the Legislature allows retroactive payments to be made for one reason, it will be difficult to say no to others with equally good reasons for retroactive payments, and the costs could eventually be considerable.

Although the bill would only cost \$2 million, it is not the only TRS bill with a price-tag to be considered the Legislature this session, and when added together the cost of all the bills would have a large actuarial impact on the system. For example, HB 2644 by Telford, which also is on today's calendar would substantially increase TRS retirement benefits and cost nearly \$1.9 billion.

NOTES: The substitute made a technical correction to correspond with past TRS law by changing the date of remarriage from 1979 to 1980.