

SUBJECT: Changing TRS annuities to reflect divorce decrees

COMMITTEE: Pensions and Investments — committee substitute recommended

VOTE: 7 ayes — Telford, Woolley, Goolsby, Rangel, Sadler, Serna, Williams
0 nays
2 absent — Berlanga, Tillery

WITNESSES: For — Holly Taebel, Texas Classroom Teachers Association
Against — None
On — Patricia Featherston, John “Randy” R. Mercer, Teacher Retirement System of Texas

BACKGROUND : Participants in the Teacher Retirement System (TRS) of Texas may elect in lieu of the standard retirement benefit an optional lifetime retirement plan that provides an annuity for a beneficiary after the retiree dies. The beneficiary is designated at the time the participant retires and cannot be altered, including by court order in a divorce decree.

DIGEST: CSHB 475 would allow TRS retirees who elect to provide beneficiaries with an annuity after their death to revoke the beneficiary’s title to the annuity if a court approved or ordered the change in a divorce decree. The revocation would take effect when received by TRS, and the retiree would be entitled to receive a standard annuity for life beginning the month after TRS was notified.

TRS could establish rules to implement the provisions of the bill.

CSHB 475 would take immediate effect if finally approved by a two-thirds record vote of the membership of each house.

- SUPPORTERS SAY:** CSHB 475 would make the law governing TRS annuity practices conform with reality. Divorce and remarriage — even after retirement — is a fact of life in today's society. The bill would reflect this fact by allowing TRS to abide by divorce court decisions regarding how and to whom annuities should be paid. Current law prohibiting TRS from changing an annuity selection once it is made is unduly restrictive in such cases.
- CSHB 475 would not open the door to wholesale changes by TRS retirees. The bill would strictly limit this option to cases in which a divorce court ordered the change as part of a divorce decree or property settlement.
- The bill would have no actuarial impact on the TRS and in some cases could actually save the TRS money depending on the life expectancy of the individuals involved.
- OPPONENTS SAY:** CSHB 475 could have a negative impact on TRS under certain circumstances, according to the actuarial impact statement. Retirees whose spouses are in poor health might be encouraged to divorce so that they could receive higher benefits during their own lifetimes.
- OTHER OPPONENTS SAY:** CSHB 475 should reflect the other reality that many divorced persons remarry. Their new spouses also should have an opportunity to receive an annuity. CSHB 475 should permit retirees the additional option of designating a new beneficiary.
- NOTES:** The committee substitute set the divorce exemption to TRS beneficiary rules in a different section of the Government Code from that proposed in the original version of the bill.
- A related bill, HB 1334 by Hochberg, referred to the Pensions and Investments Committee, would allow TRS retirees a single opportunity to change a designated beneficiary, provided that the original beneficiary was the retiree's spouse or former spouse and agreed to the change or the change were ordered by a court.