

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill Number: HB 146a**

**50th Legislature, 1st Session, 2011**

**Tracking Number: .184232.1**

**Short Title: Retirement Beneficiary Designation of Spouse**

**Sponsor(s): Representative James Roger Madalena and Others**

**Analyst: Craig J. Johnson**

**Date: April 27, 2011**

---

**AS AMENDED**

**The House Education Committee amendments:**

- **strike all references to “spouse” and “remarriage” in the title and in the body of the bill;**
- **add language in the title reflecting that the bill:**
  - **allows a member to designate another beneficiary upon the death of the initial designated beneficiary; and**
  - **amends the Educational Retirement Act to allow a deselection and a designation of another beneficiary under certain circumstances; and**
- **add language to require a retired member to pay \$100 to the retirement board to defray the cost of determining a new pension amount.**

**Bill Summary:**

House Bill 146 amends both the *Public Employees Retirement Act* and the *Educational Retirement Act* to allow a retired member to designate a spouse as the beneficiary under certain circumstances.

HB 146 applies to a retired member who received pension benefits under either option B or C pensions, which provide a survivor pension benefit, that were converted to option A pension, which does not include a survivor pension benefit, after the death of the retired member's spouse to exercise a one-time irrevocable option upon remarriage to designate the new spouse as the survivor pension beneficiary and again receive pension benefits under either options B or C.<sup>1</sup> The designation must be made within six months of a retired member's remarriage, or by January 1, 2012 if the remarriage occurred prior to July 1, 2011.

---

<sup>1</sup> Option A provides the normal monthly benefit to the retiree for the duration of his or her lifetime. Options B and C include survivor beneficiary payments and are available on an actuarial equivalent basis, meaning the normal pension monthly benefit is reduced depending on the survivor option chosen, the retiree's age, and the age of the named beneficiary. Options B and C provide a 100 percent or 50 percent survivor benefit, respectively.

The pension benefit under the new selection must have the same actuarial present value as the pension under option A. Retired members must pay \$100 to defray the cost of calculating the new pension amount.

**Fiscal Impact:**

According to agencies analyses, Public Employees Retirement Association and Educational Retirement Board will incur staff administrative costs to recalculate pension benefits and verify beneficiary designations. These costs may be offset by the \$100 fee.

**Fiscal Issues:**

The amount of pension payable under options B and C are required to have the same actuarial present value, computed on the effective date of the pension, as the amount of pension under option A. With options B and C, a reduced benefit is paid to the retiree during his or her lifetime, which pays for the cost of the survivor benefit.

**Substantive Issues:**

Current law does not allow a retiree receiving a pension under option A to provide a benefit to a subsequent spouse upon remarriage.

HB 146 applies to retirees who have named a spouse as beneficiary under options B or C, and the designated beneficiary predeceases the retiree. HB 146 allows this retiree, upon remarriage, to designate his or her current spouse as a new beneficiary under option B or C. Any change in a beneficiary designation will be subject to any court orders dividing a retiree's pension benefit due to the division of community property. HB 146 will not allow a retiree who originally retired under option A to name a spouse as beneficiary upon marriage.

**Related Bills:**

SB 119aa *Retirement Beneficiary Designation of Spouse* (Identical)

SB 247a *Forfeiture of Retirement for Certain Crimes*