

SUBJECT: Authorizing pension funds to study investing in life insurance policies

COMMITTEE: Pensions — favorable, without amendment

VOTE: 7 ayes — Flynn, Alonzo, Anchia, Hefner, Huberty, Paul, J. Rodriguez
0 nays

WITNESSES: For — Ernest Baptista; Daen Wombwell

Against — (*Registered, but did not testify*: TJ Patterson, City of Fort Worth; Jimmy Rodriguez, San Antonio Police Officers Association; Harrison Hiner, Texas State Employees Union; John Grey, Texas State Teachers Association)

On — Timothy Lee, Texas Retired Teachers Association; Brian Guthrie, Teacher Retirement System

DIGEST: HB 1416 would authorize governing bodies of public retirement systems to study the cost-effectiveness and feasibility of implementing a pension revenue enhancement strategy to create an additional funding source to address potential funding deficiencies.

The strategy to be studied would involve a retirement system obtaining a life insurance policy for each employee participating in the system, with the employee's consent, that would be held in a separate trust for the benefit of the retirement system. On the death of the employee, the insurance proceeds would be payable to the retirement system and added to the system's assets.

A retirement system that conducted a study would be required to submit a written report to the Legislature by September 1, 2018. The authority to conduct a study would expire December 31, 2018.

The bill would take effect September 1, 2017.

**SUPPORTERS
SAY:**

HB 1416 would authorize the pension boards of 93 prefunded public retirement systems in Texas to investigate an investment strategy using the issuance of life insurance policies on governmental employees. Many government pension funds are underfunded, meaning that they do not have sufficient money to pay future pension benefits. This bill would allow the retirement systems, if they so chose, to investigate an innovative strategy that could infuse new revenue into these ailing funds. Information from the studies could inform lawmakers during the next session about whether legislation should be considered to allow this type of pension revenue enhancement.

The type of life insurance strategy being studied would be different from controversial policies that some private companies have taken out on employees without the employees' knowledge. The strategy contemplates that employees would consent to the policies and designate beneficiaries to receive a portion of the death benefit. The remainder would help fund the pension system, helping to ensure that the state and other governmental entities were able to pay promised benefits. The bill would provide the requisite authority to conduct these studies.

**OPPONENTS
SAY:**

Instead of pursuing a policy that could result in state pension funds taking out life insurance policies on teachers and state employees, the Legislature should appropriate the necessary funds to make its retirement systems actuarially sound.