



Georgia State Retirees Association

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 **Forward to a friend**

Action Alert - Dead Peasants Legislation

Dear Member,

Representatives Howard Maxwell, Tommy Benton, and John Meadows have authored several bills (HB 293, HB 297, and HB 371) to mitigate the impact of the so-called “Dead Peasants” legislation on public retirement systems. A full discussion of “Dead Peasant Insurance” or “Corporate-Owned Life Insurance” can be found in the GSRA January 2012 newsletter (Vol. 6, Nr. 1), which can be found on www.mygsra.com.

Briefly stated, this type of legislation was attempted in the 2010 legislative session (HB 1380). It created an insurable interest on the lives of its employees and retirees by the public employer (state, local school, etc.). The bill provided for the insurance premiums to be paid from pension funds and at the death of the insured, the premiums (plus interest) would be recouped by the pension fund. The public employer would receive any remaining proceeds of the insured amount. In the 2011 legislative session, the following bills were introduced.

- HB 293 requires that this type of legislation be considered in the 1st session of any biennial term and that the financial impact of the provisions be actuarially determined.
- HB 297 prohibits a public retirement system from having an insurable interest in members of the retirement system and prohibits the expenditure of funds to purchase life insurance except where all benefits are paid to the beneficiary designated by the member.
- HB 371 authorizes the state or political subdivision to purchase insurance on the lives of employees and retirees only when benefits are paid to the member’s designated beneficiary.

Problem:

Although these three bills have passed the House of Representatives and have been twice favorably reported by the Senate Retirement Committee, the Senate Rules Committee has chosen not to place them on the Senate Calendar for a vote. With no such safeguards in place, actions such as the 2010 fast-tracking of HB 1380 (which would have authorized use of retirement system funds to pay insurance premiums) without discussion or full disclosure, would continue to be possible. As pointed out in Senator Bill Heath’s article on the GSRA newsletter, “companies have aggressively insured employees . . . sometimes without the employee’s knowledge or consent.” GSRA believes that pension funds should be “off-limits” to this type of expenditure and that investment policies should reflect the objective of maintaining the trust funds for the benefit of the members.

Solution:

The solution to the problem is available through passage and signature of HB 293, HB 297, and HB 371. We implore the Senate Rules Committee and the Senate to pass these bills in the 2012 Legislative Session.

Action Needed:

Contact your elected Senators and the members of the Senate Rules Committee immediately and ask them to approve HB 293, HB 297, and HB 371 in the next 4 legislative days. HB 297 is the greatest priority if only one of the bills is to move.