

FEGLI DOMESTIC RELATIONS ORDERS

JUNE 18, 1997.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BURTON of Indiana, from the Committee on Government Reform and Oversight, submitted the following

REPORT

[To accompany H.R. 1316]

[Including cost estimate of the Congressional Budget Office]

The Committee on Government Reform and Oversight, to whom was referred the bill (H.R. 1316) to amend chapter 87 of title 5, United States Code, with respect to the order of precedence to be applied in the payment of life insurance benefits, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. DOMESTIC RELATIONS ORDERS.

Section 8705 of title 5, United States Code, is amended—

(1) in subsection (a) by striking “(a) The” and inserting “(a) Except as provided in subsection (e), the”; and

(2) by adding at the end the following:

“(e)(1) Any amount which would otherwise be paid to a person determined under the order of precedence named by subsection (a) shall be paid (in whole or in part) by the Office to another person if and to the extent expressly provided for in the terms of any court decree of divorce, annulment, or legal separation, or the terms of any court order or court-approved property settlement agreement incident to any court decree of divorce, annulment, or legal separation.

“(2) For purposes of this subsection, a decree, order, or agreement referred to in paragraph (1) shall not be effective unless it is received, before the date of the covered employee’s death, by the employing agency or, if the employee has separated from service, by the Office.

“(3) A designation under this subsection with respect to any person may not be changed except—

“(A) with the written consent of such person, if received as described in paragraph (2); or

“(B) by modification of the decree, order, or agreement, as the case may be, if received as described in paragraph (2).

“(4) The Office shall prescribe any regulations necessary to carry out this subsection, including regulations for the application of this subsection in the event that 2 or more decrees, orders, or agreements, are received with respect to the same amount.”.

SEC. 2. DIRECTED ASSIGNMENT.

Section 8706(e) of title 5, United States Code, is amended—

(1) by striking “(e)” and inserting “(e)(1)”; and

(2) by adding at the end the following:

“(2) A court decree of divorce, annulment, or legal separation, or the terms of a court-approved property settlement agreement incident to any court decree of divorce, annulment, or legal separation, may direct that an insured employee or former employee make an irrevocable assignment of the employee’s or former employee’s incidents of ownership in insurance under this chapter (if there is no previous assignment) to the person specified in the court order or court-approved property settlement agreement.”.

SHORT SUMMARY OF LEGISLATION

H.R. 1316, as amended by the Committee, amends 5 U.S.C. §§ 8705 and 8706. It directs the Office of Personnel Management (OPM) to obey certain domestic relations orders when paying the proceeds of life insurance policies under the Federal Employees Group Life Insurance program (FEGLI) and permits courts to direct the assignment of such policies to individuals specified in domestic relations orders.

I. BACKGROUND AND NEED FOR THE LEGISLATION

H.R. 1316 was introduced by Mr. Collins of Georgia to address an inequity in the Federal Employees Group Life Insurance program (FEGLI). Under current law, domestic relations orders, such as divorce decrees, or property settlement agreements do not affect the payment of life insurance proceeds. Instead, when the policyholder dies, the proceeds are paid to the beneficiary designated by the policyholder, if any, or to other individuals as specified by statute. This is required by 5 U.S.C. § 8705.

H.R. 1316 requires OPM to pay the proceeds in accordance with certain domestic relations orders or property settlements. This is similar to the law’s treatment of retirement annuities, which OPM must allocate in accordance with divorce decrees.

Because an employee could still frustrate the court order by terminating the policy, the bill was amended in committee to allow courts to direct the employee to assign the policy to a specific individual.

II. LEGISLATIVE HEARINGS AND COMMITTEE ACTIONS

H.R. 1316 was introduced on April 14, 1997 by the Honorable Mac Collins (R-GA). The bill was referred to the Committee on Government Reform and Oversight on April 14, 1997, and it was referred to the Subcommittee on Civil Service on April 15, 1997. The Subcommittee held a mark up on June 10, 1997. No amendments were offered, and the measure was ordered favorably reported to the full Committee by a voice vote. On June 11, 1997, the Committee on Government Reform and Oversight met to consider the bill. Representative Mica offered an amendment, which was approved by voice vote. Under this amendment, employees may be required to irrevocably assign FEGLI policies to an individual specified in a domestic relations order or court-approved property settlement agreement. The policy cannot be terminated by the employee. The Committee favorably reported the bill, as amended, to the full House by voice vote.

III. COMMITTEE HEARINGS AND WRITTEN TESTIMONY

The committee held no hearings and received no written testimony.

IV. EXPLANATION OF THE BILL AS REPORTED: SECTION-BY-SECTION ANALYSIS

Section 1. This section amends 5 U.S.C. § 8705 to direct OPM to pay the proceeds of group life and group accidental death insurance under the Federal Employees Group Life Insurance (FEGLI) program in accordance with divorce decrees, other domestic relations orders, and court-approved property settlement agreements. To be effective, the order or agreement must be received before the death of the employee or former by the employing agency or, in the case of a former employee, the Office of Personnel Management.

Section 2. This section amends 5 U.S.C. § 8706 to permit courts to order employees or former employees to irrevocably assign a FEGLI policy to a person specified in a domestic relations order or court-approved property settlement agreement.

V. COMPLIANCE WITH RULE XI

Pursuant to rule XI, clause 2(1)(3) of the Rules of the House of Representatives, under the authority of rule X, clause 2(b)(1) and clause 3(f), the results and findings from committee oversight activities are incorporated in the bill and this report.

VI. BUDGET ANALYSIS AND PROJECTIONS

H.R. 1316, as amended, provides for no new authorization, budget authority, or tax expenditures. Consequently, the provisions of section 308(a) of the Congressional Budget Act are not applicable.

VII. COST ESTIMATE OF THE CONGRESSIONAL BUDGET OFFICE

U.S. CONGRESS,
 CONGRESSIONAL BUDGET OFFICE,
 Washington, DC, June 18, 1997.

Hon. DAN BURTON,
 Chairman, Committee on Government Reform and Oversight,
 House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget office has prepared the enclosed cost estimate for H.R. 1316, a bill to modify the procedures for determining the beneficiary of federal life insurance payments.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Paul Cullinan.

Sincerely,

PAUL VAN DEWATER
 (For June E. O'Neill).

H.R. 1316—A bill to amend chapter 87 of title 5, United States Code, with respect to the order of precedence to be applied in the payment of life insurance benefits

CBO estimates that enacting this bill would have no effect on the federal budget. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply. H.R. 1316 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 and would not affect the budgets of state, local, or tribal governments.

The bill would modify the order of precedence used in the Federal Employee Government Life Insurance program in determining who should receive benefit payments. Under current law, the designated beneficiary of the employee's policy has the first opportunity for receiving the payments, regardless of that individual's relationship to the insured party at the time of the employee's death. H.R. 1316 would change the precedence if there existed a court decree of divorce, annulment, or legal separation or a court order or court-approved property settlement agreement incident to any court decree of divorce, annulment, or separation that expressly provides for another individual to receive the payments. Such decrees or agreements would effect a change in precedence only if filed with the employee's agency or the Office of Personnel Management before the insured's death.

The CBO staff contact for this estimate is Paul Cullinan, who can be reached at 226-2820. This estimate was approved by Paul N. Van de Water, Assistant Director for Budget Analysis.

VIII. SPECIFIC CONSTITUTIONAL AUTHORITY FOR THIS LEGISLATION

Clauses 1 and 18 of Article 1, Sec. 8 of the Constitution grant Congress the power to enact this law.

IX. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted

is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

CHAPTER 87 OF TITLE 5, UNITED STATES CODE

CHAPTER 87—LIFE INSURANCE

* * * * *

§ 8705. Death claims; order of precedence; escheat

[(a) The] (a) *Except as provided in subsection (e), the amount of group life insurance and group accidental death insurance in force on an employee at the date of his death shall be paid, on the establishment of a valid claim, to the person or persons surviving at the date of his death, in the following order of precedence:*

* * * * *

(e)(1) *Any amount which would otherwise be paid to a person determined under the order of precedence named by subsection (a) shall be paid (in whole or in part) by the Office to another person if and to the extent expressly provided for in the terms of any court decree of divorce, annulment, or legal separation, or the terms of any court order or court-approved property settlement agreement incident to any court decree of divorce, annulment, or legal separation.*

(2) *For purposes of this subsection, a decree, order, or agreement referred to in paragraph (1) shall not be effective unless it is received, before the date of the covered employee's death, by the employing agency or, if the employee has separated from service, by the Office.*

(3) *A designation under this subsection with respect to any person may not be changed except—*

(A) *with the written consent of such person, if received as described in paragraph (2); or*

(B) *by modification of the decree, order, or agreement, as the case may be, if received as described in paragraph (2).*

(4) *The Office shall prescribe any regulations necessary to carry out this subsection, including regulations for the application of this subsection in the event that 2 or more decrees, orders, or agreements, are received with respect to the same amount.*

§ 8706. Termination of insurance; assignment of ownership

(a) * * *

* * * * *

(e)(1) *Under regulations prescribed by the Office, each policy purchased under this chapter shall provide that an insured employee or former employee may make an irrevocable assignment of the employee's or former employee's incidents of ownership in the policy.*

(2) *A court decree of divorce, annulment, or legal separation, or the terms of a court-approved property settlement agreement incident to any court decree of divorce, annulment, or legal separation, may direct that an insured employee or former employee make an irrevocable assignment of the employee's or former employee's incidents of ownership in insurance under this chapter (if there is no*

previous assignment) to the person specified in the court order or court-approved property settlement agreement.

* * * * *

X. COMMITTEE RECOMMENDATION

On June 11, 1997, a quorum being present, the Committee ordered the bill, as amended, favorably reported.

Committee on Government Reform and Oversight—104th Congress Rollcall

Date: June 11, 1997.
Final Passage of H.R. 1316, as amended.
Offered by: Hon. John L. Mica (R-FL).
Voice Vote: yea.

XI. CONGRESSIONAL ACCOUNTABILITY ACT; PUBLIC LAW 104-1;
SECTION 102(B)(3)

The amendments made by H.R. 1316 will apply to employees and former employees of the legislative branch who participate in the Federal Employees Group Life Insurance program to the same extent as it applies to other participating employees.

XII. FEDERAL ADVISORY COMMITTEE ACT (5 U.S.C. APP.), SECTION 5(B)

The Committee finds that section 5(b) of Title 5 App., United States Code, is not applicable because this legislation does not authorize the establishment of any advisory committee.

XIII. UNFUNDED MANDATES REFORM ACT; PUBLIC LAW 104-4,
SECTION 423

The Committee finds that the legislation does not impose any Federal mandates within the meaning of section 423 of the Unfunded Mandates Reform Act (PL 104-4).