

SUBJECT: Retired university employee eligibility for the optional retirement system

COMMITTEE: Pensions and Investments — favorable, without amendment

VOTE: 7 ayes — Eiland, Flynn, McClendon, Griggs, Krusee, Rodriguez, Straus
0 nays

WITNESSES: For — Beaman Floyd, Texas Community College Teachers Association
Against — None

BACKGROUND: Government Code, ch. 830 establishes the Optional Retirement Program (ORP) for full-time faculty members and certain administrators at state-supported higher education institutions, including public community colleges. The ORP features one-year vesting, is portable between institutions, and allows participants to retain their contribution accounts if they leave state employment. The Texas Higher Education Coordinating Board (THECB) oversees the program rules and the comptroller and the various institutions are responsible for the accounting duties. Each governing board selects the annuity vendors.

Each fiscal year, the state is required to contribute to the ORP 6 percent of the aggregate annual compensation of all participants during the year and participants contribute 6.65 percent. Higher education institutions are allowed to make supplemental contributions of up to 2.5 percent, using any source of funds.

DIGEST: HB 3125 would allow higher education institutions, at their discretion, to contribute to the optional retirement system on behalf of an employee who retired and subsequently returned to work in a position that was eligible to participate in the ORP, in accordance with THECB rules.

The bill would take effect on September 1, 2005.

SUPPORTERS SAY: The ORP was established as a recruitment tool to attract high quality faculty in order to improve the level of education at state colleges and universities. However, higher education employees who retire and return

to work are not eligible for the ORP, and this presents a problem when an institution, for example, is attempting to recruit a former employee who has expertise in a certain field. Many former employees feel that this should be a part of their benefits package may hesitate to return to work because of the ineligibility. Due to retirement incentives, many institutions are losing highly qualified faculty members, and some institutions are experiencing difficulty in filling positions.

**OPPONENTS
SAY:**

The bill is not clear as to whom would make the contributions — the employee or the institution, and what funds would be used to fund the contributions.