

BILL ANALYSIS

Senate Research Center

H.B. 2644
By: Telford (Armbrister)
State Affairs
4-30-97
Engrossed

DIGEST

Currently, the Teacher Retirement System of Texas (retirement system) provides retirement benefits to 150,000 annuitants and has more than 660,000 active and deferred vested members. The Legislative Audit Committee commissioned a study during the last interim that recommended changes to the retirement system in order to give it flexibility in administering the insurance plan specified by law. This bill would implement some of those recommended changes. Additionally, this bill would clarify the law, delete unnecessary language, update designations in current law, and provide for the third in a series of ad hoc increases for retirees.

PURPOSE

As proposed, H.B. 2644 revises and clarifies provisions relating to the systems and programs administered by the Teacher Retirement System of Texas.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 822.005(c), Government Code, to prohibit a person who is employed in a position covered by the Teacher Retirement System of Texas (retirement system), among others, from withdrawing contributions.

SECTION 2. Amends Section 822.201(c), Government Code, to delete text providing that excluded from salary and wages are payments received in the 1995-1996 or a subsequent school year for teaching a driver education and traffic safety course, among other items.

SECTION 3. Amends Section 823.202(b), Government Code, to delete reference to membership fees.

SECTION 4. Amends Section 823.301(b), Government Code, to authorize service to be established in one-year increments except as otherwise provided by this subchapter.

SECTION 5. Amends Section 823.3021(d), Government Code, to make a nonsubstantive change.

SECTION 6. Amends Section 823.303, Government Code, to provide that a member who performs military service creditable in the retirement system but who does not establish credit for the service by making the deposits required by Section 823.302 is entitled to credit of a year for each year of military service performed, if the member requests the credit in writing before the later of the date of application for retirement or the effective date of retirement.

SECTION 7. Amends Sections 823.401(a) and (d), Government Code, to provide that a school receiving funds under 22 U.S.C. Section 2701 is considered a public school for the purposes of this section. Authorizes a member to establish credit under this section by depositing with the retirement system for each year of service claimed a contribution computed at the rate of 12 percent of the full-time rate of the member's annual compensation, plus any additional eligible compensation received, during the first year of service for which the member received membership credit in the retirement

system that is both after the service for which credit is sought and after September 1, 1956, among other rates. Makes conforming changes.

SECTION 8. Amends Section 823.402(e), Government Code, to make conforming changes.

SECTION 9. Amends Section 823.501, Government Code, by amending Subsections (b) and (c), and by adding Subsections (e) and (f), to provide that a person eligible to reinstate service credit under this section is one who is a contributing member of the retirement system at the time the service is reinstated, rather than one who resumes membership service in the retirement system. Authorizes a member to reinstate canceled credit under this section by depositing with the retirement system the amount withdrawn or refunded; plus a reinstatement fee of six percent, compounded annually, of the amount withdrawn or refunded from the date of withdrawal or refund to the date of redeposit. Deletes text authorizing the reinstatement of cancelled credit by the depositing of membership fees for the period that membership was terminated. Provides that service credit cancelled by a withdrawal of contributions not authorized by Section 822.005 is required to be reinstated under this section. Authorizes a contributing member to have an account that was terminated by absence from service reactivated by requesting the reactivation in writing. Authorizes the beneficiary of a decedent who was a contributing member at the time of death to have an account that was terminated by the decedent's absence from service reactivated by requesting the reactivation in writing before the first anniversary of the decedent's death.

SECTION 10. Amends Section 823.502(c), Government code, to make conforming changes.

SECTION 11. Amends Section 824.1011(a), Government Code, to authorize a retiree who is receiving a standard service or disability retirement annuity under Section 824.203 or 824.304(b) and who marries after the date of the person's retirement to replace the annuity by selecting an optional retirement annuity under Section 824.204(c)(1), (c)(2), or (c)(5) or under Section 824.308(c)(1), (c)(2), or (c)(5), as applicable, among other conditions.

SECTION 12. Amends Sections 824.202(a) and (c), Government Code, to provide that a member is eligible to retire and receive a standard service retirement annuity if, among other options, the sum of the member's age and amount of service credit in the retirement system equal the number 80. Revises the table setting forth the reduced retirement annuity certain members are eligible to receive upon retirement.

SECTION 13. Amends Section 824.203(d), Government Code, to prohibit the standard service retirement annuity from being less than \$150 a month, rather than being less than \$6.50 a month for each year of service credit or, for a member who is at least 65 years old at the time of retirement, less than the greater of \$6.50 a month for each year of service credit, or \$150 a month.

SECTION 14. Amends Section 824.204(d), to require a reduced annuity of a retiree who has elected an optional service retirement annuity under Subsection (c)(1), (c)(2), or (c)(5), under certain conditions, to be increased to the standard service retirement annuity that the retiree would otherwise be entitled to receive if the retiree had not selected that annuity option.

SECTION 15. Amends Section 824.304, Government Code, by amending Subsection (b) and by adding Subsection (d), to delete text requiring the retirement system to pay a certain person for the duration of the disability a disability retirement annuity in an amount equal to the greater of \$6.50 a month for each year of service credit on the date of retirement, among other values. Provides that the minimum benefits provided by this section are subject to reduction in the same manner as other benefits because of the selection of an optional retirement annuity.

SECTION 16. Amends Section 825.206, Government Code, by adding Subsection (f), to require an actuarial audit to be performed in conjunction with an actuarial experience study or at least once every five years. Requires the audit to include certain information.

SECTION 17. Amends Section 825.207, Government Code, as follows:

Sec. 825.207. New heading: **COMPTROLLER**. Provides that except as provided by Section 825.302 or 825.303 or by Subsection (e), the comptroller, rather than the state treasurer, is the custodian of all securities and cash of the retirement system. Makes conforming and nonsubstantive changes.

SECTION 18. Amends Sections 825.209(a), (b), and (c), Government Code, to require the comptroller to give a surety bond in an amount of at least \$50,000. Authorizes the board of trustees (board) to require any trustee or employee of the board to give a surety bond in an amount determined by the board and to increase the minimum amount of a bond required by Subsection (a) or (b). Deletes text excluding the executive director of the board from being required by the board to give a surety bond. Makes conforming changes.

SECTION 19. Amends Sections 825.410(a) and (c), Government Code, to delete text referring to Sections 823.202 and 823.402, Government Code. Prohibits the member, if the retirement system refunds payments pursuant to this subsection, from being permitted to use the installment method of payment for the same service for three years after the date of the refund. Provides that a member who requests and receives a refund of installment payments also is not permitted to use the installment method for payment for the same service for three years after the date of the refund. Requires all installment payments to be made on or before the service retirement date or the last day of the month in which the member's application for service retirement is submitted, whichever is later, or before the 31st day following the date on which the medical board certifies a member's disability.

SECTION 20. Amends Section 825.512(e), Government Code, to require the retirement system to submit an annual investment performance report no later than the 45th day after the end of, rather than the 25th day of the month following, each fiscal year to certain government officials, committees, and government boards.

SECTION 21. Amends Chapter 825F, Government Code, by adding Section 825.516, as follows:

Sec. 825.516. **NONPROFIT ASSOCIATION DUES.** Authorizes a retiree who is receiving an annuity from the retirement system to request the system to withhold from the retiree's monthly annuity payment membership dues for a nonprofit association of retired school employees in this state. Requires the request for withholding to be on a form provided by the retirement system. Requires the retirement system, after the retirement system receives a request authorized by this section, to make the requested deductions until the earlier of the date the annuity is terminated; or the first payment of the annuity after the date the system receives a written request signed by the retiree canceling the request for the withholding. Requires the retirement system to send all dues withheld under this section to the nonprofit association after each monthly payment of annuities.

SECTION 22. Amends the heading of Article 3.50-4, Insurance Code, as follows:

**ARTICLE 3.50-4. New heading: TEXAS PUBLIC SCHOOL EMPLOYEES
GROUP INSURANCE PROGRAM**

SECTION 23. Amends Sections 7A(a) and (e), Article 3.50-4, Insurance Code, to authorize, rather than prohibit, a public school district from offering an alternative health benefit plan to its active employees during the period of its participation in the program if the Teacher Retirement System of Texas (trustee) approves the plan as providing contributions, participation, and a design that are in accordance with sound group benefit underwriting principles. Requires each participating school district to contribute for each district employee covered by the program an amount equal to no less than 75 percent of the cost for the employee only of the plans of group coverages authorized by the trustee for active employees. Requires the district to certify to the trustee the amount the district will contribute monthly toward the cost of coverage. Requires the trustee to determine if the amount is sufficient to underwrite the plan for the district based on sound group benefit underwriting principles. Provides that a determination by the trustee under this subsection is final. Deletes text setting forth a limitation upon a school district's contribution.

SECTION 24. Amends Section 8, Article 3.50-4, Insurance Code, as follows:

Sec. 8. New heading: PURCHASE OF GROUP HEALTH CARE BENEFITS. Provides that the trustee has authority to establish one or more plans that are self-insured. Authorizes the coverages, rather than group insurance coverages, provided under the plan or plans to include, among other items, long-term care coverage. Authorizes the trustee to contract for and make available to all retirees, dependents, surviving spouses, and surviving dependent children optional group health benefit plans, rather than group health insurance benefit plans, in addition to the basic plans. Deletes existing Subsection (f). Deletes text authorizing contracts between the trustee and carriers for the group insurance pool to provide for renegotiation. Requires each contract to be based on the terms and conditions agreed on between the trustee and the entity, rather than carrier or carriers, selected to provide the coverage, rather than insurance coverage, and benefits. Requires any contract for group benefits, rather than group insurance, awarded by the trustee to meet the minimum benefit and financial standards adopted by the trustee. Authorizes the trustee to contract directly with health care providers, including health maintenance organizations, preferred provider organizations, carriers, administrators, and other qualified vendors, to provide benefits in the program. Deletes text regarding certain benefits. Makes conforming and nonsubstantive changes.

SECTION 25. Amends Section 15(c), Article 3.50-4, Insurance Code, to delete text prohibiting expenses from exceeding a certain amount.

SECTION 26. Amends Section 16(b), Article 3.50-4, Insurance Code, to require the state to contribute as the state's contribution to the fund each fiscal year an amount equal to .50 percent of the salary of each active employee. Authorizes the state to contribute amounts in addition to the contribution required by this subsection. Deletes Subsections (b)(1)-(5).

SECTION 27. (a) Provides that monthly payments of a death or retirement benefit annuity by the Teacher Retirement System are increased beginning with the payment due at the end of September 1997.

(b) Provides that the increase does not apply to payments under Section 824.304(a), 824.404, or 824.501, Government Code.

(c) Sets forth the table to be used in computing the amount of the monthly increase.

SECTION 28. Makes application of Section 822.201(c), Government Code, as amended by this Act, prospective.

SECTION 29. Effective date: September 1, 1997.

SECTION 30. Emergency clause.