

BILL ANALYSIS

Senate Research Center

S.B. 1620
By: Duncan
State Affairs
4-14-97
As Filed

DIGEST

Currently, Section 415 of the Internal Revenue Code of 1986, as amended, imposes a limit on the pension amount that can be paid to a person who is a public employee based on the person's age. Under Texas law, a member of the Teacher Retirement System (TRS) is eligible to retire and receive a standard service retirement annuity if the member is at least 50 years of age and has at least 30 years of service credit. This bill allows a member of TRS to receive benefits in accordance with statutory formulas for computing retirement annuities in the same manner that these benefits are available to other TRS members.

PURPOSE

As proposed, S.B. 1620 allows a member of the Teacher Retirement System (TRS) whose pension is limited to receive benefits in accordance with statutory formulas for computing retirement annuities in the same manner that these benefits are available to other TRS members.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the board of trustees of the Teacher Retirement System in SECTION 1 (Section 825.601(b), Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 825F, Government Code, by adding Section 825.601, as follows:

Sec. 825.601. EXCESS BENEFIT ARRANGEMENT. Provides that a separate, nonqualified, unfunded excess benefit arrangement is created outside of the trust fund of the Teacher Retirement System (TRS). Requires the excess benefit arrangement to be administered as a governmental excess benefit arrangement pursuant to the provisions of Section 415(m) of the Internal Revenue Code of 1986, as amended. Provides that the purpose of the excess benefit arrangement is to pay to annuitants of TRS benefits otherwise payable by TRS that exceed the limitations on benefits imposed by Section 415 of the Internal Revenue Code of 1986. Provides that the board of trustees of TRS is responsible for the administration of this arrangement. Authorizes the board of trustees to adopt rules to implement this section, except as otherwise provided in this section. Provides that benefits under this section are exempt from execution to the same extent as provided by Section 821.005 of this subtitle, except that the benefits are completely unassignable. Provides that contributions to this arrangement are not held in trust and are prohibited from being commingled with other funds of TRS.

(d) Provides that an annuitant is entitled to a certain monthly benefit amount under this section. Requires the benefit payable by this arrangement to be paid at the time and in the form as the benefit under TRS would be paid.

(e) Requires the benefit payable to be paid using state contributions that would otherwise be made to TRS under Section 825.404. Requires an amount determined by TRS necessary to pay benefits under this section to be paid on a monthly basis to a separate account, authorized to include amounts needed to pay reasonable and necessary expenses of this arrangement, in lieu of the state contributions being paid to the state contribution account. Requires the

amount to be paid to the account at least 15 days before a disbursement is to be made under this section.

SECTION 2. Emergency clause.
Effective date: upon passage.