

BILL ANALYSIS

Senate Research Center

C.S.S.B. 1226
By: Shapiro
State Affairs
4/19/1999
Committee Report (Substituted)

DIGEST

Currently, the Teacher Retirement System of Texas (TRS) maintains an early retirement program called the deferred retirement option plan (DROP). A person participating in the Employees Retirement System of Texas (ERS) may transfer credit from ERS to TRS for the purpose of establishing eligibility in DROP. However, there exists disagreement in the interpretation of key statutes regarding DROP, such as whether certain non-retired members may participate in DROP despite a prohibition against service credit from being transferred until retirement, and the exact date upon which a member is no longer entitled to benefits while participating in DROP. C.S.S.B. 1226 would add language clarifying DROP eligibility, and would amend the guidelines for calculations and withdrawals.

PURPOSE

As proposed, C.S.S.B. 1226 amends guidelines regarding the deferred retirement option plan in 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 824.802, Government Code, to authorize a member to transfer to the Teachers Retirement System of Texas (TRS) service credit established in the Employees Retirement System of Texas (ERS). Authorizes service credit transferred to be used to establish eligibility for participation in and the amount of benefits under the deferred retirement option plan (DROP). Authorizes a contributing member to revoke an election to participate in DROP on a form prescribed by and filed with TRS. Authorizes the revocation for only one time. Requires TRS to transfer all contributions and interest in DROP account as a result of the member's election to the appropriate system accounts. Establishes that the effective date revocation or participation of DROP is the first day of the month after the month in which a revocation is received. Requires TRS to approve the revocation filed by a member who is eligible to make the revocation. Deletes a requirement that an election be made only once and be irrevocable. Makes conforming changes.

SECTION 2. Amends Section 824.803(b), Government Code, to provide that the amount of service credit used to compute the service retirement annuity is determined as the effective date of participation in DROP.

SECTION 3. Amends Sections 824.804(a) and (c), Government Code, to require TRS to draw an amount equal to 61 percent, rather than 79 percent, of the amount the member would receive, rather than have received, that month under a standard retirement annuity if the member had retired the preceding month, rather than on the effective date of DROP participation. Entitles a person to compensation based on age. Deletes the entitlement of compensation based on years of service on the effective date of participation in DROP and on age.

SECTION 4. Effective date: September 1, 1999.

SECTION 5. Emergency clause.

SUMMARY OF COMMITTEE CHANGES

SECTION 2.

Amends Section 824.803(b), Government Code, to delete a proposed provision making a participating member eligible to receive certain post-retirement increases.

SECTION 3.

Amends Section 824.804(a), Government Code, to change the proposed percentage that TRS must transfer in certain service retirement annuity, from 85 percent to 61 percent of the amount a member would receive per month.