

## **BILL ANALYSIS**

Senate Research Center  
76R4516 GCH-D

S.B. 292  
By: Nixon  
State Affairs  
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As Filed

### **DIGEST**

Currently, participants in the Teacher Retirement System of Texas are given no flexibility or control over their investments which consist of monthly payroll deductions. Because of a growing interest in alternatives to traditional benefit plans, eight states have enhanced their retirement systems by including a defined contribution plan which allows investment in a personal account throughout a teacher's career, and upon retirement the teacher receives a lump sum. Texas statutes contain no self-directed investment option for members of the Teacher Retirement System. Senate Bill 292 would create a self-directed investment option for participants in the Teacher Retirement System of Texas.

### **PURPOSE**

As proposed, S.B. 292 creates the optional defined contribution plan for the Teacher Retirement System, and provides regulation for the administration of this plan.

### **RULEMAKING AUTHORITY**

Rulemaking authority is granted to the Teacher Retirement System in SECTION 1 (Section 826.004, Government Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Title 8C, Government Code, by adding Chapter 826, as follows:

#### **CHAPTER 826. OPTIONAL DEFINED CONTRIBUTION PLAN**

Sec. 826.001. DEFINITIONS. Defines "optional defined contribution plan" (plan) and "qualified plan."

Sec. 826.002. ESTABLISHMENT OF PLAN. Requires the Teacher Retirement System (TRS) to administer a plan which authorizes members to pay a portion of member contributions towards the purchase of certain securities. Provides that a security provider is exempt from franchise or premium taxes on products issued under the plan.

Sec. 826.003. ELECTION TO PARTICIPATE IN PLAN. Authorizes a contributing member, who is not part of the deferred retirement option plan, to elect to participate in the plan. Requires the election to include the percentage of member contributions to be used under the plan, and prohibits the percentage from exceeding 50 percent. Provides exceptions to the irrevocability of an election made under this section. Provides that a plan member is eligible to receive an annuity and other benefits in the same manner as other members except that benefits will be reduced.

Sec. 826.004. RULES. Authorizes TRS to adopt rules for plan administration including: requiring notice of a member's choice to transfer contributions and temporary deposits of contributions.

Sec. 826.005. WITHDRAWAL OF CONTRIBUTIONS. Authorizes a plan member to withdraw amounts earned under the plan under certain conditions.

Sec. 826.006. REDUCTION OF BENEFITS UNDER RETIREMENT SYSTEM. Requires the board of trustees to adopt tables for a reduction of benefits relative to the percentage of contributions diverted to the plan.

Sec. 826.007. INFORMATION TO MEMBERS. Requires the TRS to provide information about the plan to contributing members, and sets forth guidelines for the required information.

SECTION 2. Requires the Teacher Retirement System of Texas to implement Chapter 826, Government Code, beginning with the 2000-2001 school year.

SECTION 3. Emergency clause.  
Effective date: 90 days after adjournment.