

BILL ANALYSIS

Senate Research Center
76R13498 GCH-D

C.S.S.B. 292
By: Nixon
State Affairs
4/25/1999
Committee Report (Substituted)

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. C.S.S.B. 292 would create a self-directed investment option for participants in the Teacher Retirement System of Texas.

PURPOSE

As proposed, C.S.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 (Sections 826.004(a) and (b), 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. Sets forth guidelines for a change of employers. 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. Requires TRS to adopt rules which require vendors to take certain actions.

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.

Sec. 826.008. ENROLLMENT FEE. Authorizes TRS to establish a maximum \$15 enrollment fee and sets forth certain required procedures for depositing the collected fees.

SECTION 2. Amends Section 825.312(a), Government Code, to require TRS to deposit fees collected under Section 825.008, Government Code, in the expense account. Makes conforming changes.

SECTION 3. Authorizes TRS to establish a maximum preenrollment fee of \$15, as another enrollment option instead of the enrollment fee, under certain conditions.

SECTION 4. Requires the Teacher Retirement System of Texas to implement Chapter 826, Government Code, beginning with the 2000-2001 school year.

SECTION 5. Emergency clause.
Effective date: 90 days after adjournment.

SUMMARY OF COMMITTEE CHANGES

SECTION 1.

Amends Section 826.003, Government Code, to add a new Subsection (d) regarding a change of employers, and makes conforming and nonsubstantive changes.

Amends Section 826.004, Government Code, to add new rulemaking authority.

Adds Section 826.008, Government Code, regarding an enrollment fee.

SECTION 2.

Amends Section 825.312, Government Code, to make a conforming change.

SECTION 3.

Authorizes the establishment of a preenrollment fee.

SECTIONS 4 and 5.

Redesignated from SECTIONS 2 and 3.