

## **BILL ANALYSIS**

Senate Research Center  
77R3592 SMJ-D

S.B. 1010  
By: Lucio  
Education  
4/23/2001  
As Filed

### **DIGEST AND PURPOSE**

Under current Teacher Retirement System (TRS) statutes, a member is entitled to reinstate retirement service credit by payroll deduction over a five-year maximum period on an after-tax or pre-tax basis. However, this repayment must be completed before the teacher's retirement date. As proposed, S.B. 1010 requires TRS to allow teachers to retire with full benefits even if they have previously withdrawn money from their retirement account before December 31, 2000, by establishing a loan program for members seeking to reinstate service credit canceled by termination. It also requires TRS to provide full benefits to the retired teachers by lending them the amount they had withdrawn and allowing them to repay it over a five-year period at an annual interest rate of no more than eight percent. Finally, it requires the retiree to purchase credit life insurance and designate the retirement system as the beneficiary to secure the loan.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the board of trustees of the Employees Retirement System of Texas in SECTION 1 (Section 823.5015, Government Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 823F, Government Code, by adding Section 823.5015, as follows:

Sec. 823.5015. LOAN TO REESTABLISH SERVICE CREDIT. (a) Authorizes the board of trustees of the Teacher Retirement System of Texas (board) to make a loan to a member for the purpose of reinstating service credit canceled by member termination under certain conditions.

(b) Requires the board to set an annual rate of interest for a loan made under this section at a rate not to exceed eight percent.

(c) Provides that the maximum repayment term for a loan made under this section is the fifth anniversary of the date in which the contract for the loan is made.

(d) Authorizes a loan made under this section to be used only to reinstate the canceled service credit.

(e) Requires the board to adopt rules to implement this section.

SECTION 2. Effective date: upon passage or September 1, 2001.