

## **BILL ANALYSIS**

Senate Research Center  
79R18473 DLF-F

C.S.H.B. 1579  
By: Kolkhorst (Duncan)  
State Affairs  
5/20/2005  
Committee Report (Substituted)

### **AUTHOR'S/SPONSOR'S STATEMENT OF INTENT**

C.S.H.B. 1579, clarifies that a retiree who wishes to be rehired as a bus driver may do so if the retiree's primary employment is as a bus driver. Also, the contributions for a "retire-rehire" are not required to be paid by an employer for a retiree who was reported by that employer under the system rules in effect for the report month of January 2005. However, beyond this "grandfathering" provision, the bill requires that employers pay the combined contribution rate for employees and the state for any retired employee that works after the effective date of the Act. C.S.H.B. 1579 also requires employers to pay the difference between the amount a retiree enrolled in TRS-Care is required to pay for the retiree and any enrolled dependents to participate in TRS-Care and the actual cost of such participation for any retiree that returns to work after the effective date of C.S.H.B. 1579. The bill further requires employers to submit reports about their employed retirees to TRS.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter A, Chapter 22, Education Code, by adding Section 22.007, as follows:

Sec. 22.0007. INCENTIVES FOR EARLY RETIREMENT. Prohibits a school district from offering or providing a financial or other incentive to an employee of the district to encourage the employee to retire from the Teacher Retirement System of Texas (TRS).

SECTION 2. Amends Sections 823.401(d) and (e), Government Code, as follows:

(d) Sets forth the conditions by which a member may establish credit in TRS under this section. Deletes existing text relating to the rate of contribution.

(e) Sets forth the requirements for a deposit for credit. Deletes existing text relating to fees for contributions.

SECTION 3. Amends Sections 824.202(a), (b), and (d), Government Code, as follows;

(a) Sets forth the conditions by which a member is eligible to retire under TRS. Deletes existing text relating to minimum age and duration of service for eligible retirement.

(b) Sets forth the provisions by which a member is eligible to retire and receive a service retirement annuity reduced from the standard service retirement annuity available under Subsection (a)(1).

(d) Sets forth the criteria by which a member is eligible to retire regardless of age.

SECTION 4. Amends Section 824.203(a), Government Code, to provide that the standard service retirement annuity, except as provided by Subsection (c) and (d), is an amount computed on the basis of the member's average annual compensation for the five, rather than three, years of

service, whether or not consecutive, in which the member received the highest annual compensations, times 2.3 percent for each year of service credit in the retirement system.

SECTION 5. Amends Sections 824.2045(a), (b), (c), and (d), Government Code, as follows:

(a) Authorizes a member to select a standard service retirement annuity or an optional service retirement annuity described by Section 824.204, reduced for early age as applicable under Section 824.202, together with a partial lump-sum distribution under certain conditions.

(b) Sets forth the limits of the amount of the lump-sum distribution under this section.

(c) Requires the service retirement annuity selected by the member to be actuarially reduced to reflect the lump-sum option selected by the member and requires it to be actuarially equivalent to a standard or optional service retirement annuity, as applicable, reduced for early age as applicable under Section 824.202, without the partial lump-sum distribution.

(d) Sets forth the lump-sum options a retiring member is authorized to choose. Requires the lump sum to be computed based on a standard service retirement annuity reduced for early age as applicable under Section 824.202.

SECTION 6. Amends Section 824.405, Government Code, as follows:

Sec. 824.405. TABLES FOR DETERMINATION OF DEATH BENEFIT ANNUITY. Requires the board of trustees of TRS (board of trustees), for the purpose of computing a death benefit annuity under Section 824.402(a)(4) or 824.403, to extend the tables to certain parameters.

SECTION 7. Amends Section 824.602(a), Government Code, as follows:

(a) Prohibits TRS, under Section 824.601 (Loss of Monthly Benefits), from withholding a monthly benefit payment if the retiree is employed in a Texas public educational institution if the retiree retired under Section 824.202(a) and the retiree's primary employment is as a bus driver.

SECTION 8. Amends Subchapter G, Chapter 824, Government Code, by adding Section 824.6022, as follows:

Sec. 824.6022. REQUIRED REPORTS; OFFENSE. (a) Requires an employer to file a monthly certified statement of employment of a retiree in the form and manner required by TRS.

(b) Provides that a person commits an offense if the person is an administrator of an employer, is responsible for filing a statement under Subsection (a), and knowingly fails to file the statement as required.

SECTION 9. Amends Section 825.307(a), Government Code, by deleting the requirement that TRS deposit in a members' individual account the portion of a deposit to establish equivalent membership service credit required by Section 823.405 or 823.3021(f)(1).

SECTION 10. Amends Section 825.308, Government Code, to require the retirement system to deposit employer contributions required under Section 825.4092 in the state contribution account, rather than a specific portion required under 823.401(c).

SECTION 11. Amends Section 825.404(a), Government Code, to require the state to contribute, during each fiscal year, to the retirement system an amount equal to not less than six percent and not more than 10, rather than eight, percent of the aggregate annual compensation of all members of the retirement system during that fiscal year.

SECTION 12. Amends Subchapter E, Chapter 825, Government Code, by adding Section 825.4041, as follows:

Sec. 825.4041. EMPLOYER PAYMENTS. (a) Defines "new member."

(b) Requires an employer, during each fiscal year, to pay an amount equal to the state contribution rate, as established by the General Appropriations Act for the fiscal year, applied to the aggregate compensation of new members of the retirement system, as described by Subsection (a), during their first 90 days of employment.

(c) Sets forth certain monthly requirements of an employer.

(d) Sets forth the provisions for a person to become eligible to participate in TRS.

(e) Requires the employer to remit the amount required under this section to TRS at the same time the employer remits the member's contribution. Sets forth the requirements of the employer in computing the amount required to be remitted.

(f) Requires TRS, at the end of each school year, to certify to the commissioner of education and to the state auditor certain information.

(g) Sets forth certain requirements of the commissioner of education or the state auditor if the commissioner of education or the state auditor receives a certification under Subsection (f).

(h) Requires the board of trustees to take this section into consideration in adopting the biennial estimate of the amount necessary to pay the state's contributions to TRS.

(i) Sets forth certain prohibitions for the employee during the period for which an employer must make a payment under Subsection (b).

SECTION 13. Amends Subchapter E, Chapter 825, Government Code, by adding Section 825.4092, as follows:

Sec. 825.4092. EMPLOYER CONTRIBUTIONS FOR EMPLOYED RETIREES. (a) Provides that this section applies to an employer who reports the employment of a retiree to TRS.

(b) Sets forth the requirements for the employer to contribute, except as provided by Subsection (e), during each payroll period for which a retiree is reported, to TRS for each retiree reported an amount based on the retiree's salary.

(c) Sets forth the requirements for the employer who reports the employment of a retiree, except as provided by Subsection (e), for each retiree who is enrolled in the Texas Public School Employees Group Benefits Program under Chapter 1575 (Texas Public School Employees Group Benefits Program), Insurance Code.

(d) Provides that contribution under this section are subject to the requirements of Section 825.408.

(e) Provides that the amounts required to be paid under Subsection (b) and (c) are not required to be paid by a reporting employer for a retiree who was reported by that employer under TRS rules in effect for the report month of January 2005.

SECTION 14. Amends Section 1575.203(a), Insurance Code, to require each active employee, as a condition of employment, to contribute to the fund an amount equal to 0.65 percent, rather than 0.5 percent, of the employee's salary.

SECTION 15. Amends Section 1575.204, Insurance Code, to require the employment of a retiree enrolled in the group program to contribute a specific amount as determined by the trustee to the retired school employees group insurance fund each state fiscal year.

SECTION 16. Repealer: Sections 824.202(c) and Section 823.405, Government Code.

SECTION 17. Sets forth certain requirements and conditions of the supplemental payment of a retirement or death benefit, as provided by this section.

SECTION 18. (a) Authorizes a member of TRS to establish, notwithstanding Sections 823.401(d) and (e), Government Code, as amended by this Act, out-of-state service credit under certain conditions.

(b) Sets forth certain requirements for deposits by TRS.

SECTION 19. (a) Makes application of this Act prospective.

(b) Makes application of this Act prospective.

(c) Authorizes only services actually credited in the retirement system on or before August 31, 2005 to be used to determine eligibility under Subsections (b)(2) and (3) of this section. Prohibits service credit that will be established only after completion of additional payments under an installment agreement after August 31, 2005, from being considered to be actually credited to the purpose of Subsections (b)(2) and (3) of this section.

SECTION 20. Makes application of Section 824.602, Government Code, as added by this Act, prospective.

SECTION 21. Makes application of the changes in law made by this Act by the addition of Section 825.4092, Government Code, and the amendment of Section 1575.204, Insurance Code, prospective.

SECTION 22. Sets forth the conditions to which the changes in law made by this Act do not apply.

SECTION 23. (a) Effective date: September 1, 2005, except as provided by Subsection (b) and (c) of this section.

(b) Provides that the change in law made by this Act to Section 825.307(a), Government Code, takes effect January 1, 2009.

(c) Provides that the repeal by this Act of Section 823.405, Government Code, takes effect January 1, 2006.