

BILL ANALYSIS

Senate Research Center

C.S.S.B. 1846

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State Affairs

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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Constitutional provisions of the Teacher Retirement System of Texas (TRS) include the establishment of a trust and a board of trustees to administer the system, a requirement that the trust's assets be held for the exclusive benefit of the members, and a requirement that financing of benefits be based on sound actuarial principles. One such principle is the funding period, or the necessary amortization period for assets to fund liabilities. According to the TRS outside consulting actuary, the system has had an "infinite" funding period, which has resulted in retirees being precluded from receiving any benefit enhancements until the fund can amortize liabilities within a 31-year period. Statutory change is necessary to provide TRS with the tools that may lead to better management of funding for the pension fund.

C.S.S.B. 1846 provides for a centralized structure for making both funding and benefit decisions, provides financial rewards for active members who choose to work beyond the "Rule of 80," and prohibits the state's contribution rate from dropping below the contribution rate of active members.

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 824 (Benefits), Government Code, by adding Section 824.009, as follows:

Sec. 824.009. BENEFIT INCREASE. (a) Authorizes the amount of a service retirement benefit, disability retirement benefit, or a death benefit paid under this chapter to be increased only to the extent authorized by the General Appropriations Act applicable to the fiscal biennium in which the increase initially is paid.

(b) Provides that an increase made as provided by this section is subject to Section 821.006 (Action Increasing Amortization Period).

SECTION 2. Amends Section 824.2031, Government Code, by adding Subsection (c), to provide that an improvement in the plan of benefits is subject to Section 824.009.

SECTION 3. Amends Section 825.308 (State Contribution Account), Government Code, to include contributions collected by employers from federal or private sources under Section 825.406 (Collection of Contributions from Federal or Private Sources; Offense; Penalty), contributions collected by a general academic teaching institution or a medical and dental unit under Section 825.407 (Collection of Contributions from Noneducational and General Funds), and employer contributions required under Sections 825.4042 (Employer Contributions) and 825.4092 (Employer Contributions for Employed Retirees), among the contributions required to be deposited in the state contribution account by the Teacher Retirement System of Texas (TRS). Makes conforming changes.

SECTION 4. Amends Section 825.402, Government Code, as follows:

Sec. 825.402. RATE OF MEMBER CONTRIBUTIONS. (a) Creates this subsection from existing text. Sets forth the rates of contributions to TRS for each member, based on the member's years of service, providing that services rendered after August 31, 1985, are subject to Subsection (b).

(b) Authorizes the rate of contributions for each member of TRS to be increased to not more than 6.6 percent of the member's annual compensation as directed by the General Appropriations Act to ensure the actuarial soundness of TRS. Provides that an increase made under this subsection applies to annual compensation received for service rendered during the school years that correspond to the fiscal biennium to which the General Appropriations Act requiring the increase applies or a shorter period specified by that Act. Prohibits an increase from being required under this subsection to fund a benefit increase described by Section 824.009.

SECTION 5. Amends Section 824.404(a), Government Code, to prohibit the amount of state contribution made under Section 824.404 (Collection of State Contributions and Appropriated Operating Expenses) from being less than the amount contributed by members during that fiscal year in accordance with Section 825.402 (Rate of Member Contributions).

SECTION 6. Amends the heading to Section 825.4041, Government Code, to read as follows:

Sec. 825.4041. EMPLOYER PAYMENTS FOR CERTAIN NEW MEMBERS.

SECTION 7. Amends Subchapter E (Collection of Membership Fees and Contributions), Chapter 825, Government Code, by adding Section 825.4042, as follows:

Sec. 825.4042. EMPLOYER CONTRIBUTIONS. (a) Requires an employer to contribute to TRS an amount specified by the General Appropriations Act during each fiscal year. Prohibits the contribution from being less than .25 percent or greater than .75 percent of the aggregate annual compensation of contributing members of TRS employed by that employer during that fiscal year.

(b) Requires an employer to make the contributions required by this section in 12 monthly payments and as required by the TRS board of trustees.

(c) Provides that a contribution made under this section is in addition to other employer contributions required by this subchapter.

(d) Authorizes an employer to deduct from the amount of the contribution required under this section the amount of matching contributions that are made for contributing employees by the employer under the Federal Insurance Contributions Act (26 U.S.C. Chapter 21) and that are paid by the employer from money other than money appropriated by the state.

(e) Provides that contributions made by employers under this section do not affect the minimum state contribution required by Section 825.404(a).

(f) Provides that contributions under this section are subject to the requirements of Section 825.408 (Interest on Contributions and Fees; Deposits in Trust).

SECTION 8. Amends Section 825.406(b), Government Code, to require an employer, when the employer receives money for state contributions from an application made in accordance with Subsection (a) (regarding required payment to the state after receiving federal or private funding toward payment of an employee's salary) to immediately send the money to TRS for deposit in the state contribution account, rather than the general revenue fund of the state treasury.

SECTION 9. Amends Section 825.407(g), Government Code, to require TRS to deposit, rather than submit, all money it receives under this section in the state contribution account, rather than to the comptroller of public accounts for deposit in the general revenue fund.

SECTION 10. Amends Section 825.4092(e), Government Code, to provide that the amounts required to be paid under Subsections (b) and (c) (regarding provisions for payment of employer contributions for employed retirees) are not required to be paid by a reporting employer for a retiree who retired from, rather than a retiree who was reported under, TRS before September 1, 2005. Deletes existing text relating to certain rules in effect for TRS for the report month of January 2005.

SECTION 11. Amends Section 1575.204(b), Insurance Code, to provide that the amounts required to be paid under this subsection are not required to be paid by a reporting employer for a retiree who retired from TRS before September 1, 2005, rather than a retiree who was reported by the employer under TRS rules in effect for the report month of January 2005.

SECTION 12. Amends Section 1575.252, Insurance Code, to require an employer who applies for money provided by the United States or a privately sponsored source to immediately send any money received for state contributions as a result of the application to TRS for deposit in the retired school employees group insurance fund, rather than the general revenue fund.

SECTION 13. (a) Requires TRS to make a one-time supplemental payment of a retirement or death benefit, as provided by this section.

(b) Provides that the supplemental payment is payable not later than September 2007 and, to the extent practicable, on a date or dates that coincide with the regular annuity payment payable to each eligible annuitant.

(c) Provides that the amount of the supplemental payment is equal to the gross amount of the regular annuity payment to which the eligible annuitant is otherwise entitled for the month of August 2007.

(d) Provides that the supplemental payment is payable without regard to any forfeiture of benefits under Section 824.601 (Loss of Monthly Benefits), Government Code. Requires TRS to make applicable tax withholding and other legally required deductions before disbursing the supplemental payment. Provides that a supplemental payment under this section is in addition to and not in lieu of the regular monthly annuity payment to which the eligible annuitant is otherwise entitled.

(e) Requires a person, subject to Subsection (f) or this section, to be eligible for the supplemental payment, for the month of August 2007, and disregarding any forfeiture of benefits under Section 824.601, Government Code, to be an annuitant eligible to receive certain annuity payments.

(f) Requires the effective date of the retirement of the member of TRS to have been on or before December 31, 2006, if the annuitant is a retiree or a beneficiary under an optional retirement payment plan, to be eligible for the supplemental payment. Requires the date of death of the member of TRS to have been on or before December 31, 2006, if the annuitant is a beneficiary under Subdivision (3) or (4), Subsection (a), Section 824.402, Government Code, to be eligible for the supplemental payment. Requires the supplemental payment to be made to an alternate payee who is annuitant under Section 804.005 (Payment in Certain Circumstances in Lieu of Benefits Awarded by Qualified Domestic Relations Order), Government Code, only if the annuity payment to the alternate payee commenced on or before December 31, 2006. Provides that the supplemental payment is in addition to the guaranteed number of payments under Subdivision (3), Subsection (a), Section 824.402, Government Code, or Subdivision (3) or (4), Subsection (c), Section 824.204 (Optional Service Retirement Benefits), Government Code, and is prohibited from being counted as one of the guaranteed monthly payments.

(g) Provides that the supplemental payment does not apply to payments under Section 824.304(a), Government Code, relating to disability retirees with less than 10 years of service credit, Section 824.804(b), Government Code, relating to participants in the deferred retirement option plan with regard to payments from their deferred retirement option plan accounts, Section 824.501(a), Government Code, relating to retiree survivor

beneficiaries who receive a survivor annuity in an amount fixed by statute, or Section 824.404(a), Government Code, relating to active member survivor beneficiaries who receive a survivor annuity in an amount fixed by statute.

(h) Requires the board of trustees of TRS to determine the eligibility for and the amount and timing of a supplemental payment and the manner in which the payment is made.

SECTION 14. Makes application of Section 825.4092, Government Code, as amended by this Act, prospective.

SECTION 15. Effective date: September 1, 2007.