

BILL ANALYSIS

Senate Research Center
80R5088 DLF-F

S.B. 425
By: Carona
State Affairs
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Retired teachers have not had an increase in their annuities since 2001. During this period, the annual inflation rate has been about three percent; compounded over six years, this represents a nearly 20 percent erosion in their purchasing power.

As proposed, S.B. 425 allows the Teacher Retirement System to provide retired educators an annuity increase of four percent of the amount otherwise required. In addition, S.B. 425 increases state's contributions to the retirement system in order to have an unfunded liability of less than 31 years, which is necessary to put into practice the annuity increase.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 824.203, Government Code, by adding Subsection (e), as follows:

(e) Increases the amount of a standard service retirement annuity by four percent of the amount otherwise required to be paid as determined under this section and the other applicable provisions of this chapter, notwithstanding Subsections (a) and (b).

SECTION 2. Amends Section 825.404(a), Government Code, as follows:

(a) Increases the amount the state is required to contribute to the retirement system each fiscal year to equal at least seven percent, rather than six percent and not more than 10, of the aggregate annual compensation of all members of the retirement system during that fiscal year. Requires the state to contribute a higher amount specified in the General Appropriations Act but prohibits the state from contributing more than 10 percent of the aggregate annual compensation of all members of the retirement system during that fiscal year.

SECTION 3. Makes application of Section 824.203, Government Code, as amended by this Act, prospective.

SECTION 4. Makes application of Section 825.404(a), Government Code, as amended by this Act, prospective.

SECTION 5. Effective date: September 1, 2007.