

By: Stephenson

H.B. No. 248

A BILL TO BE ENTITLED

AN ACT

relating to a pension revenue enhancement plan for the Teacher Retirement System of Texas.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle C, Title 8, Government Code, is amended by adding Chapter 826 to read as follows:

CHAPTER 826. PENSION REVENUE ENHANCEMENT PLAN

Sec. 826.0001. DEFINITIONS. Notwithstanding any other provision of this subtitle, in this chapter:

(1) "Beneficiary" or "designated beneficiary" means a person or entity who is designated by a member or annuitant under authority of Section 826.0002(b) to receive the proceeds of a life insurance policy purchased under the plan.

(2) "Board of trustees," unless the context requires otherwise, means the board appointed under this chapter.

(3) "Pension revenue enhancement plan" or "plan" means the pension revenue enhancement plan established in accordance with this chapter.

(4) "Plan manager" means the plan manager the board of trustees enters into a contract with under Section 826.0009.

(5) "Trust fund" means the pension revenue enhancement plan trust fund established under this chapter.

(6) "Trustee" means the trustee the board of trustees enters into a contract with under Section 826.0008.

1 Sec. 826.0002. PENSION REVENUE ENHANCEMENT PLAN. (a) The
2 pension revenue enhancement plan established in accordance with
3 this chapter provides a life insurance benefit to certain members
4 and annuitants of the retirement system while providing an
5 additional revenue source for funding the retirement system. Under
6 the plan, the trustee shall purchase a life insurance policy that
7 provides for a cash value, the face value of which is \$100,000, for
8 each member enrolled in the plan. Except as provided by Subsection
9 (b), the trust fund is the owner and beneficiary of each life
10 insurance policy purchased under the plan.

11 (b) A member or annuitant enrolled in the plan may designate
12 a beneficiary to receive \$50,000 of the proceeds of the life
13 insurance policy purchased under the plan.

14 (c) The trustee or plan manager may obtain a loan from a
15 third-party lender to pay the premium of a life insurance policy
16 purchased under the plan. On the death of a member or annuitant
17 enrolled in the plan, the trustee or plan manager, as applicable,
18 shall repay the third-party lender from the proceeds of the life
19 insurance policy.

20 (d) When the cash value of a life insurance policy is
21 sufficient, as determined by the trustee, the trustee may borrow
22 against the policy to:

- 23 (1) repay the loan of a third-party lender; and
24 (2) use excess cash flow to purchase life insurance
25 policies for other members enrolled in the plan or for another
26 purpose authorized under the plan.

27 Sec. 826.0003. MEMBER ENROLLMENT IN PLAN. (a) A member or

1 annuitant of the retirement system may elect to enroll in the plan
2 if the member or annuitant, as applicable:

3 (1) is 62 years of age or younger; and

4 (2) meets the insurer's requirements for issuance of a
5 life insurance policy.

6 (b) The board of trustees, in cooperation with the public
7 school system, shall ensure that not later than the 30th day after
8 the date a member is hired by a public school system, the member is
9 given an opportunity to elect to enroll in the plan.

10 (c) A member or annuitant may not be required to enroll in
11 the plan or to pay the premium or any other fee to enroll in the
12 plan.

13 Sec. 826.0004. PENSION REVENUE ENHANCEMENT PLAN TRUST FUND.

14 (a) In this section, "financial institution" has the meaning
15 assigned by Section 201.101, Finance Code.

16 (b) The pension revenue enhancement plan trust fund is a
17 trust fund outside the state treasury that is:

18 (1) held in a financial institution by the board of
19 trustees on behalf of members and annuitants of the retirement
20 system; and

21 (2) administered by the board of trustees through a
22 contract with the trustee and plan manager.

23 (c) The trust fund consists of:

24 (1) proceeds of a life insurance policy issued to a
25 member or annuitant enrolled in the plan;

26 (2) gifts, grants, and other donations received for
27 the trust fund;

1 (3) proceeds of loans obtained for purposes of the
2 trust fund; and

3 (4) interest earned on trust fund money.

4 (d) The plan manager shall allocate money deposited in the
5 trust fund for the purposes specified under this chapter.

6 (e) The board of trustees and the trustee shall administer
7 the trust fund in a manner that qualifies income earned in the trust
8 fund for an exemption from federal income taxation under Section
9 115, Internal Revenue Code of 1986.

10 Sec. 826.0005. USES OF TRUST FUND MONEY. The trustee may
11 use trust fund money only to:

12 (1) purchase life insurance policies for members and
13 annuitants enrolled in the plan;

14 (2) distribute proceeds in accordance with Section
15 826.0006(1);

16 (3) pay the interest, principal, and any fees
17 associated with a loan obtained under the plan;

18 (4) pay costs associated with plan administration and
19 operation, including the plan manager's fee in accordance with the
20 contract between the board of trustees and the plan manager; and

21 (5) make a contribution to retirement system assets.

22 Sec. 826.0006. TRUST FUND DISTRIBUTIONS. On the death of a
23 member or annuitant enrolled in the plan, the trustee shall:

24 (1) distribute \$50,000 from the proceeds under the
25 life insurance policy to the member's or annuitant's designated
26 beneficiary, if any; and

27 (2) retain the remaining proceeds in the trust fund to

1 use in accordance with Section 826.0005.

2 Sec. 826.0007. BOARD OF TRUSTEES. (a) The governor shall
3 appoint nine members of the board of trustees after consulting with
4 the State Board of Education, the Texas Department of Insurance,
5 the board of trustees of the retirement system, and any other agency
6 or person the governor determines appropriate.

7 (b) All members of the board of trustees must have
8 experience in the field of finance, insurance, pension
9 administration, or an appropriate industry relevant to the purposes
10 for which the trust fund is established.

11 (c) Members of the board of trustees serve staggered
12 six-year terms.

13 (d) If a vacancy occurs, the governor shall appoint a person
14 to serve for the remainder of the unexpired term.

15 (e) The governor shall designate the presiding officer of
16 the board of trustees.

17 (f) A member of the board of trustees may not receive
18 compensation for service as a member but is entitled to
19 reimbursement for necessary expenses the member incurs in the
20 discharge of the member's duties.

21 (g) The board of trustees shall meet at the call of the
22 presiding officer.

23 (h) The retirement system shall provide the board of
24 trustees with any administrative support necessary for the board to
25 exercise its duties under this chapter, including providing office
26 space, equipment, and any technical assistance the board may
27 require.

1 (i) The board of trustees has all the authority necessary
2 and proper to carry out the board's duties under this chapter,
3 including the authority to adopt rules necessary to implement this
4 chapter.

5 Sec. 826.0008. TRUSTEE. (a) The board of trustees shall
6 contract with a person to act as the trustee of the trust fund. The
7 trustee shall:

8 (1) hold and administer the assets of the trust fund;

9 (2) distribute life insurance policy proceeds as
10 appropriate;

11 (3) annually or at the request of the board of
12 trustees, provide status reports on the performance of the plan to
13 the board;

14 (4) as appropriate, enter into a loan agreement with a
15 third-party lender on behalf of the trust fund to finance the
16 premiums of life insurance policies purchased under the plan;

17 (5) as appropriate, sign a collateral assignment for a
18 life insurance policy on behalf of the trust fund;

19 (6) work with the plan manager to ensure loan and life
20 insurance policy information is correct and complies with the plan;

21 (7) as appropriate, provide death benefit information
22 to and request life insurance policy loans from the insurer; and

23 (8) on the death of a member or annuitant enrolled in
24 the plan, distribute the proceeds under the life insurance policy
25 to the designated beneficiary in accordance with Section
26 826.0006(1).

27 (b) The trustee has all the authority necessary or proper to

1 carry out the trustee's duties under this section.

2 Sec. 826.0009. PLAN MANAGER. The board of trustees shall
3 contract with a person to act as plan manager. The plan manager
4 shall:

5 (1) design, implement, and assist with overseeing the
6 pension revenue enhancement plan required under this chapter and
7 ensure compliance with all applicable legal and technical
8 requirements;

9 (2) implement the plan and modify the plan as
10 necessary to comply with Section 826.0004(e);

11 (3) design or select a life insurance policy
12 appropriate for the plan;

13 (4) obtain the approval and support of an insurance
14 company for the plan;

15 (5) negotiate with an insurance company to obtain
16 beneficial life insurance policy enhancements for the plan,
17 including low-commission products;

18 (6) negotiate with a third-party lender for the most
19 advantageous loan terms;

20 (7) facilitate loan renewals as necessary;

21 (8) provide the trustee with information needed to
22 complete annual status reports required under Section
23 826.0008(a)(3);

24 (9) by working with the public school system,
25 facilitate member enrollment in the plan;

26 (10) work with the public school system to ensure
27 members or annuitants enrolled in the plan have access to the

1 insurance company's claims department;

2 (11) oversee member and annuitant compliance with the
3 insurance company's underwriting process to ensure proper
4 enrollment in the plan;

5 (12) enroll new members in the plan as appropriate;
6 and

7 (13) advise the board of trustees and the trustee on:

8 (A) plan maintenance or changes;

9 (B) appropriate repayment of loans; and

10 (C) obtaining life insurance policy loans.

11 Sec. 826.0010. LIFE INSURANCE COMPANY. To be eligible to
12 participate in the pension revenue enhancement plan created under
13 this chapter, an insurance company must have a suitable credit
14 rating.

15 Sec. 826.0011. PREMIUM FINANCE COMPANY. (a) To be eligible
16 to participate in the pension revenue enhancement plan created
17 under this chapter, a premium finance company must, as determined
18 by the trustee:

19 (1) have at least 10 years of experience in the full
20 recourse life insurance premium finance industry in the United
21 States;

22 (2) have suitable support capability to service the
23 plan;

24 (3) have at least two life insurance company and bank
25 references;

26 (4) have deployed at least one financed insurance
27 solution that complies with principles prescribed by the

1 Governmental Accounting Standards Board; and
2 (5) demonstrate suitable testing of the company's
3 designs to withstand an economic crisis.
4 (b) A premium finance company participating in the plan may:
5 (1) act as technical advisor to the trustee on
6 securing premium financing for life insurance policies;
7 (2) assist with educating members and annuitants about
8 the plan in partnership with the retirement system;
9 (3) participate in designing the plan;
10 (4) analyze the plan design to determine its ability
11 to withstand an economic crisis;
12 (5) negotiate life insurance policy terms with an
13 insurance company;
14 (6) help select an insurance company and life
15 insurance policy;
16 (7) facilitate lending for the trustee;
17 (8) facilitate member enrollment;
18 (9) facilitate insurance underwriting;
19 (10) facilitate policy placement;
20 (11) engage in plan servicing and monitoring;
21 (12) technically advise on when to cease obtaining
22 loans under the plan;
23 (13) assist with preparing annual status reports
24 required under Section 826.0008(a)(3);
25 (14) assist with insurance claims processing; and
26 (15) act as a liaison to insurance companies and
27 third-party lenders.

1 Sec. 826.0012. CONFIDENTIALITY OF RECORDS. (a) Except as
2 provided by Subsection (b), all information relating to the plan is
3 public and subject to disclosure under Chapter 552.

4 (b) Information relating to a prospective or current member
5 or annuitant, including any personally identifiable information,
6 is confidential except that the board may disclose that information
7 to:

8 (1) the member regarding the member's life insurance
9 policy; or

10 (2) an insurance company or a state or federal agency
11 as necessary to administer the plan.

12 Sec. 826.0013. PLAN LIMITATIONS. (a) This chapter may not
13 be construed to guarantee that proceeds under a life insurance
14 policy will be sufficient to cover the expenses of a designated
15 beneficiary.

16 (b) This chapter may not be construed to create any
17 obligation of the state, any agency or instrumentality of the
18 state, or the plan manager to guarantee for the benefit of a member
19 or annuitant enrolled in the plan or a designated beneficiary:

20 (1) the return of any amount contributed to the trust
21 fund on behalf of the enrolled member or annuitant;

22 (2) the rate of interest or other return on the life
23 insurance policy; or

24 (3) the payment of interest or other return on the life
25 insurance policy.

26 SECTION 2. (a) Not later than October 1, 2021, the governor
27 shall appoint members to the board of trustees of the pension

1 revenue enhancement plan as required by Section 826.0007,
2 Government Code, as added by this Act.

3 (b) Not later than September 1, 2022, the board of trustees
4 of the pension revenue enhancement plan shall ensure a pension
5 revenue enhancement plan is established in accordance with Chapter
6 826, Government Code, as added by this Act, and, notwithstanding
7 Section 826.0003, Government Code, as added by this Act, shall
8 ensure enrollment of members of the Teacher Retirement System of
9 Texas in the plan is delayed until the plan has been implemented.

10 SECTION 3. This Act takes effect September 1, 2021.