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H.B. No. 4534

A BILL TO BE ENTITLED

1 AN ACT

2 relating to a study by the Employees Retirement System of Texas of  
3 certain state retirement system reforms.

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

5 SECTION 1. INTERIM STUDY. (a) The Employees Retirement  
6 System of Texas shall conduct a study to evaluate potential reforms  
7 designed to improve the financial health of the retirement system,  
8 including the feasibility and anticipated financial impact of  
9 implementing the following reforms:

10 (1) transitioning from providing retirement benefits  
11 to members of the system under a defined benefit plan to providing  
12 those benefits under:

13 (A) a defined contribution plan;

14 (B) a hybrid pension plan that combines elements  
15 of a defined contribution plan and a defined benefit plan;

16 (C) a cash balance pension plan that provides  
17 individual accounts for plan members; and

18 (D) another retirement plan commonly used by  
19 other states;

20 (2) adopting changes to the existing defined benefit  
21 plan that are designed to reduce the unfunded actuarial accrued  
22 liabilities of the system and achieve actuarial soundness,  
23 including:

24 (A) increasing the state contribution rate;

1 (B) changing the minimum age at which members are  
2 eligible to retire;

3 (C) changing the formula used to calculate  
4 annuities provided under the plan; and

5 (D) reducing the amount of benefits provided  
6 under the plan, including the potential of offering members the  
7 option to receive partial lump sum payments in lieu of a portion of  
8 the member's annuity in a manner that ensures the amount of the lump  
9 sum payment is less than the actuarial present value of the portion  
10 of the annuity forfeited by the member; and

11 (3) implementing a pension revenue enhancement plan  
12 under which a life insurance policy or other financial product or  
13 benefit is purchased under the plan for members and annuitants of  
14 the Employees Retirement System of Texas who are eligible for and  
15 elect to enroll in the plan.

16 (b) In conducting the study required by this section, the  
17 Employees Retirement System of Texas shall review and evaluate the  
18 retirement plans and systems established in other states for best  
19 practices and financial outcomes, taking into consideration:

20 (1) the overall performance of other states' plans  
21 based on the unfunded liability balances, if any, of those plans;  
22 and

23 (2) the strengths and weaknesses of other states'  
24 plans in attracting and maintaining a competitive workforce.

25 (c) The Employees Retirement System of Texas may consult  
26 with anyone the system determines appropriate to conduct the study  
27 and prepare the report required by this section, including outside

1 experts and other state agencies, including the State Pension  
2 Review Board, the Legislative Budget Board, and the Texas  
3 Department of Insurance.

4 SECTION 2. FINDINGS AND RECOMMENDATIONS. Not later than  
5 September 1, 2022, the Employees Retirement System of Texas shall  
6 report the system's findings and recommendations to the governor,  
7 the lieutenant governor, the speaker of the house of  
8 representatives, and each member of the legislature. The system  
9 shall include in its recommendations specific statutory and  
10 regulatory changes that the system determines necessary or  
11 appropriate to implement its recommendations.

12 SECTION 3. EXPIRATION OF ACT. This Act expires September  
13 15, 2022.

14 SECTION 4. EFFECTIVE DATE. This Act takes effect  
15 immediately if it receives a vote of two-thirds of all the members  
16 elected to each house, as provided by Section 39, Article III, Texas  
17 Constitution. If this Act does not receive the vote necessary for  
18 immediate effect, this Act takes effect September 1, 2021.