

1-1 By: Huffman, Springer S.B. No. 321
 1-2 (In the Senate - Filed January 12, 2021; March 9, 2021, read
 1-3 first time and referred to Committee on Finance; April 22, 2021,
 1-4 reported adversely, with favorable Committee Substitute by the
 1-5 following vote: Yeas 13, Nays 0, one present not voting;
 1-6 April 22, 2021, sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17	X			
1-18	X			
1-19	X			
1-20	X			
1-21	X			
1-22				X
1-23			X	

1-24 COMMITTEE SUBSTITUTE FOR S.B. No. 321 By: Huffman

1-25 A BILL TO BE ENTITLED
 1-26 AN ACT

1-27 relating to contributions to, benefits from, and the administration
 1-28 of the Employees Retirement System of Texas.

1-29 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-30 SECTION 1. Section 803.202, Government Code, is amended by
 1-31 adding Subsection (c) to read as follows:

1-32 (c) A member of the Employees Retirement System of Texas who
 1-33 is subject to Chapter 820 is eligible to participate in the program
 1-34 provided by this chapter.

1-35 SECTION 2. Chapter 805, Government Code, is amended by
 1-36 adding Section 805.0015 to read as follows:

1-37 Sec. 805.0015. APPLICABILITY. This chapter does not apply
 1-38 to a member of the employees retirement system who is subject to
 1-39 Chapter 820.

1-40 SECTION 3. Section 811.001, Government Code, is amended by
 1-41 adding Subdivision (5-a) and amending Subdivision (16) to read as
 1-42 follows:

1-43 (5-a) "Cash balance group member" means a member
 1-44 subject to Chapter 820.

1-45 (16) "Service credit" means the amount of membership
 1-46 and, if applicable, military service ascribed to a person's account
 1-47 in the retirement system for which all required contributions have
 1-48 been made to, and are being held by, the retirement system.

1-49 SECTION 4. Section 812.101(c), Government Code, is amended
 1-50 to read as follows:

1-51 (c) For a law enforcement or custodial officer, the
 1-52 withdrawal of accumulated contributions under Subsection (a)
 1-53 includes all of the officer's contributions made under Section
 1-54 815.402(h) or 820.101(b), as applicable.

1-55 SECTION 5. Section 813.001, Government Code, is amended to
 1-56 read as follows:

1-57 Sec. 813.001. TYPES OF CREDITABLE SERVICE. The types of
 1-58 service creditable in the retirement system are membership service
 1-59 and, if applicable, military service and equivalent membership
 1-60 service.

2-1 SECTION 6. Subchapter A, Chapter 813, Government Code, is
 2-2 amended by adding Section 813.0015 to read as follows:

2-3 Sec. 813.0015. PROVISIONS APPLICABLE TO CASH BALANCE GROUP
 2-4 MEMBERS. The following provisions of this chapter do not apply to a
 2-5 cash balance group member:

2-6 (1) Sections 813.102, 813.104, 813.106, 813.202,
 2-7 813.402, 813.403, 813.404, 813.502, 813.504, 813.505, 813.506,
 2-8 813.509, 813.511, 813.513, and 813.514; and

2-9 (2) Subchapter D.

2-10 SECTION 7. Section 813.401, Government Code, is amended to
 2-11 read as follows:

2-12 Sec. 813.401. SERVICE CREDITABLE IN ELECTED CLASS. Service
 2-13 creditable in the elected class of membership is:

2-14 (1) membership service in an office included in that
 2-15 class; and

2-16 (2) for members other than cash balance group members:
 2-17 (A) military service established as provided by

2-18 Subchapter D; and
 2-19 (B) [~~3~~] equivalent membership service
 2-20 specifically made creditable in that class.

2-21 SECTION 8. Section 814.001, Government Code, is amended to
 2-22 read as follows:

2-23 Sec. 814.001. TYPES OF BENEFITS. (a) Except as provided by
 2-24 Subsection (b), the [~~The~~] types of benefits payable by the
 2-25 retirement system are:

2-26 (1) service retirement benefits;

2-27 (2) occupational disability retirement benefits;

2-28 (3) nonoccupational disability retirement benefits;

2-29 and

2-30 (4) death benefits.

2-31 (b) A cash balance group member is not eligible for
 2-32 nonoccupational disability retirement benefits under this chapter.

2-33 SECTION 9. Subchapter A, Chapter 814, Government Code, is
 2-34 amended by adding Section 814.0015 to read as follows:

2-35 Sec. 814.0015. PROVISIONS APPLICABLE TO CASH BALANCE GROUP
 2-36 MEMBERS. The following provisions of this chapter do not apply to a
 2-37 cash balance group member:

2-38 (1) Subchapters B, D, and G; and

2-39 (2) Sections 814.202(a), (e), and (f), 814.205,
 2-40 814.2055, 814.206, 814.207, and 814.211.

2-41 SECTION 10. Section 814.009(a), Government Code, is amended
 2-42 to read as follows:

2-43 (a) A person who receives an annuity under this subtitle
 2-44 [~~subchapter~~] may, on a form prescribed by and filed with the
 2-45 retirement system, authorize the retirement system to deduct from
 2-46 the person's monthly annuity payment the amount of a fee for the
 2-47 person's membership in a state employee organization that:

2-48 (1) is a certified eligible state employee
 2-49 organization under Section 403.0165; or

2-50 (2) has at least 2,500 retirees as members on January 1
 2-51 preceding the fiscal year for which the deduction is made.

2-52 SECTION 11. Section 814.0095(a), Government Code, is
 2-53 amended to read as follows:

2-54 (a) Except as provided by Section 814.0096(c), a person who
 2-55 receives an annuity under this subtitle [~~subchapter~~]
 2-56 may, on a printed or electronic form filed with the retirement system,
 2-57 authorize the retirement system to deduct from the person's monthly
 2-58 annuity payment the amount of a contribution to the state employee
 2-59 charitable campaign in the manner and for the same purposes for
 2-60 which a state employee may authorize deductions to that campaign
 2-61 under Subchapter I, Chapter 659.

2-62 SECTION 12. Sections 815.311(a) and (b), Government Code,
 2-63 are amended to read as follows:

2-64 (a) The retirement system shall deposit in a member's
 2-65 individual account in the employees saving account the following
 2-66 amounts, as applicable:

2-67 (1) the amount of contributions to the retirement
 2-68 system that is deducted from the member's compensation;

2-69 (2) the portion of a deposit required to reinstate

3-1 service credit previously canceled that represents only the amount
3-2 withdrawn;

3-3 (3) the portion of a deposit required to establish
3-4 service credit not previously established that represents only the
3-5 required contribution; ~~and~~

3-6 (4) the portion of a deposit required to establish
3-7 military service credit that represents only the member's
3-8 contribution for that credit; and

3-9 (5) interest and gain sharing interest in accordance
3-10 with Sections 820.102 and 820.103, respectively.

3-11 (b) Except as provided by Section 820.102 or 820.103,
3-12 interest ~~[Interest]~~ on money in an individual account in the
3-13 employees saving account is earned monthly and is computed at the
3-14 rate of two percent a year on the mean balance of the member's
3-15 account for the fiscal year.

3-16 SECTION 13. Section 815.314, Government Code, is amended to
3-17 read as follows:

3-18 Sec. 815.314. INTEREST ACCOUNT. Except as provided by
3-19 Section 815.317, 820.102, or 820.103, the retirement system shall
3-20 deposit in the interest account all income, interest, and dividends
3-21 from deposits and investments of assets of the retirement system.

3-22 SECTION 14. Section 815.317(d), Government Code, is amended
3-23 to read as follows:

3-24 (d) Member contributions to the fund deducted under Section
3-25 815.402(h) or 820.101(b), as applicable:

3-26 (1) earn interest at the same rate as money in an
3-27 individual account in the employees saving account under Section
3-28 815.311; and

3-29 (2) are subject to the same computations and
3-30 limitations that apply to member contributions under Section
3-31 815.311.

3-32 SECTION 15. Section 815.401(a), Government Code, is amended
3-33 to read as follows:

3-34 (a) Each member annually shall pay a membership fee of \$2. A
3-35 contributing member shall pay the fee with the member's first
3-36 contribution to the retirement system in each fiscal year in the
3-37 manner provided by Section 815.402 or 820.101, as applicable, for
3-38 payment of the member's contribution to the retirement system.

3-39 SECTION 16. The heading to Section 815.402, Government
3-40 Code, is amended to read as follows:

3-41 Sec. 815.402. COLLECTION OF CERTAIN MEMBER CONTRIBUTIONS.

3-42 SECTION 17. Section 815.402(a), Government Code, is amended
3-43 to read as follows:

3-44 (a) Except as provided by Section 813.201, each payroll
3-45 period, each department or agency of the state shall cause to be
3-46 deducted from the [each member's] compensation of each member,
3-47 other than a cash balance group member, a contribution of:

3-48 (1) 9.5 percent of the compensation if the member is
3-49 not a member of the legislature, for service rendered after August
3-50 31, 2015, and before September 1, 2017;

3-51 (2) for service by a member who is not a member of the
3-52 legislature rendered on or after September 1, 2017, the lesser of:

3-53 (A) 9.5 percent of the ~~[member's annual]~~
3-54 compensation; or

3-55 (B) a percentage of the ~~[member's annual]~~
3-56 compensation equal to 9.5 percent reduced by one-tenth of one
3-57 percent for each one-tenth of one percent that the state
3-58 contribution rate for the fiscal year to which the service relates
3-59 is less than the state contribution rate established for the 2017
3-60 fiscal year; or

3-61 (3) 9.5 percent of the compensation if the member is a
3-62 member of the legislature.

3-63 SECTION 18. Section 815.403(a), Government Code, is amended
3-64 to read as follows:

3-65 (a) During each fiscal year, the state shall contribute to
3-66 the retirement system:

3-67 (1) an amount equal to 9.5 ~~[7.4]~~ percent of the total
3-68 compensation of all members of the retirement system for that year;

3-69 (2) money to pay lump-sum death benefits for retirees

4-1 under Section 814.501;

4-2 (3) an amount for the law enforcement and custodial
4-3 officer supplemental retirement fund equal to 2.13 percent of the
4-4 aggregate state compensation of all custodial and law enforcement
4-5 officers for that year;

4-6 (4) money necessary for the administration of the law
4-7 enforcement and custodial officer supplemental retirement fund;
4-8 and

4-9 (5) money for service credit not previously
4-10 established, as provided by Section 813.202(c) or 813.302(d).

4-11 SECTION 19. Sections 815.406(a) and (c), Government Code,
4-12 are amended to read as follows:

4-13 (a) The state shall pick up the employee contribution
4-14 required of each of its employees by Section 815.402 or 820.101, as
4-15 applicable, for all compensation earned [~~after December 31, 1987~~].
4-16 The state shall pay to the retirement system the picked-up
4-17 contributions from the same source of funds that is used in paying
4-18 earnings to the employees. Such payments shall be in lieu of
4-19 contributions by the employees. The state shall pick up these
4-20 contributions by a corresponding reduction in the cash salary of
4-21 the employees, by an offset against a future salary increase, or by
4-22 a combination of a salary reduction and offset against a future
4-23 salary increase. Employees do not have the option of choosing to
4-24 receive the contributed amounts directly instead of having them
4-25 paid by the state to the retirement system.

4-26 (c) Employee contributions picked up as provided by
4-27 Subsection (a) shall be transmitted to the retirement system in the
4-28 manner required by Section 815.402 or 820.101, as applicable.
4-29 Employee contributions picked up by the state and credited to the
4-30 employee's account shall be treated for all other purposes as if the
4-31 amount were a part of the member's compensation and had been
4-32 deducted pursuant to Section 815.403(a).

4-33 SECTION 20. Subchapter E, Chapter 815, Government Code, is
4-34 amended by adding Section 815.407 to read as follows:

4-35 Sec. 815.407. LEGACY PAYMENTS. In addition to the
4-36 contributions required by this subtitle, each fiscal year the state
4-37 shall make a payment in the amount of \$350 million to the retirement
4-38 system to amortize the system's unfunded actuarial liabilities.

4-39 SECTION 21. Subtitle B, Title 8, Government Code, is
4-40 amended by adding Chapter 820 to read as follows:

4-41 CHAPTER 820. CASH BALANCE BENEFIT
4-42 SUBCHAPTER A. GENERAL PROVISIONS

4-43 Sec. 820.001. DEFINITION. In this chapter, "accumulated
4-44 account balance" means the total of amounts in a member's
4-45 individual account in the employees saving account, including:

4-46 (1) amounts deducted from the compensation of the
4-47 member;

4-48 (2) other member deposits required to be placed in the
4-49 member's individual account; and

4-50 (3) interest credited to amounts in the member's
4-51 individual account, including interest and gain sharing interest
4-52 credited in accordance with Sections 820.102 and 820.103,
4-53 respectively.

4-54 Sec. 820.002. APPLICABILITY. This chapter applies only to
4-55 a member who is first hired or first takes office in a position
4-56 included in the employee or elected class of membership:

4-57 (1) on or after September 1, 2022; or

4-58 (2) before September 1, 2022, if the member:

4-59 (A) no longer holds a position in the employee or
4-60 elected class of membership; and

4-61 (B) may withdraw, but has not withdrawn, the
4-62 member's accumulated contributions under Subchapter B, Chapter
4-63 812.

4-64 Sec. 820.003. CONFLICT OF LAW. To the extent of a conflict
4-65 between this chapter, including a rule adopted by the retirement
4-66 system under authority of this chapter, and any other law, this
4-67 chapter prevails.

4-68 Sec. 820.004. RULES. The board of trustees may adopt rules
4-69 necessary to implement this chapter.

SUBCHAPTER B. CASH BALANCE BENEFITS

5-2 Sec. 820.051. APPLICATION FOR CASH BALANCE BENEFIT. (a) A
5-3 member may apply for a cash balance annuity by filing an application
5-4 for retirement with the board of trustees.

5-5 (b) An application for a cash balance annuity may not be
5-6 made:

5-7 (1) after the date the member wishes to retire; or

5-8 (2) more than 90 days before the date the member wishes
5-9 to retire.

5-10 Sec. 820.052. ELIGIBILITY FOR CASH BALANCE BENEFIT. A
5-11 member:

5-12 (1) who has service credit in the employee class of
5-13 membership is eligible to retire and receive a cash balance annuity
5-14 if the member:

5-15 (A) is at least 65 years old and has five years of
5-16 service credit in that class; or

5-17 (B) has at least five years of service credit in
5-18 that class and the sum of the member's age and amount of service
5-19 credit in that class, including months of age and credit, equals or
5-20 exceeds the number 80;

5-21 (2) who:

5-22 (A) has at least 20 years of service credit as a
5-23 law enforcement or custodial officer is eligible to retire
5-24 regardless of age and receive a cash balance annuity in an amount
5-25 computed and funded as provided by Section 820.053; or

5-26 (B) is at least 55 years old and has at least 10
5-27 years of service credit as a law enforcement or custodial officer is
5-28 eligible to retire and receive a cash balance annuity in an amount
5-29 computed and funded as provided by Section 820.053; or

5-30 (3) who has service credit in the elected class of
5-31 membership is eligible to retire and receive a cash balance annuity
5-32 if the member:

5-33 (A) is at least 60 years old and has eight years
5-34 of service credit in that class; or

5-35 (B) is at least 50 years old and has 12 years of
5-36 service credit in that class.

5-37 Sec. 820.053. CASH BALANCE BENEFITS FOR MEMBERS. (a) The
5-38 state match for the cash balance benefit for:

5-39 (1) service credited to the employee class of
5-40 membership is an amount computed by multiplying the member's
5-41 accumulated account balance by 150 percent;

5-42 (2) service credited to the employee class of
5-43 membership by a member eligible to retire under this chapter as a
5-44 law enforcement or custodial officer is an amount computed by
5-45 multiplying the member's accumulated account balance by:

5-46 (A) except as provided by Paragraph (B), 150
5-47 percent; and

5-48 (B) for the portion of the accumulated account
5-49 balance, including interest, attributable to service as a law
5-50 enforcement or custodial officer, 300 percent, paid from the law
5-51 enforcement and custodial officer supplemental retirement fund;
5-52 and

5-53 (3) service credited to the elected class of
5-54 membership is an amount computed by multiplying the member's
5-55 accumulated account balance by 150 percent.

5-56 (b) The retirement system shall compute a member's cash
5-57 balance annuity under this section by taking the sum of the member's
5-58 accumulated account balance and the state match computed under
5-59 Subsection (a) and annuitizing that amount over the life expectancy
5-60 of the member as of the effective date of the member's retirement
5-61 using mortality and other tables adopted by the board for that
5-62 purpose under Section 815.105.

5-63 Sec. 820.054. DEATH AND DISABILITY BENEFITS. (a) A member who
5-64 qualifies for an occupational disability retirement benefit under
5-65 Chapter 814 or the beneficiary of a member described by Section
5-66 820.002(1) is entitled to a cash balance annuity under Section
5-67 820.053.

5-68 (b) The board of trustees may enter into contracts to
5-69 provide additional death and disability benefits under this

6-1 chapter.

6-2 SUBCHAPTER C. CONTRIBUTIONS AND INTEREST

6-3 Sec. 820.101. COLLECTION OF MEMBER CONTRIBUTIONS. (a) Each
 6-4 payroll period, each department or agency of the state shall cause
 6-5 to be deducted from the compensation of a member subject to this
 6-6 chapter a contribution of six percent of the compensation of the
 6-7 member.

6-8 (b) In addition to the contribution under Subsection (a),
 6-9 each department or agency of the state that employs a law
 6-10 enforcement or custodial officer who is a member subject to this
 6-11 chapter shall deduct an additional two percent contribution from
 6-12 the member's compensation, to be deposited in the law enforcement
 6-13 and custodial officer supplemental retirement fund.

6-14 Sec. 820.102. ANNUAL INTEREST ADJUSTMENT. Each fiscal
 6-15 year, the retirement system shall deposit for a member subject to
 6-16 this chapter an amount equal to four percent of the member's
 6-17 accumulated account balance deposited into the member's individual
 6-18 account in the employees saving account.

6-19 Sec. 820.103. GAIN SHARING INTEREST ADJUSTMENT. (a) Each
 6-20 fiscal year and subject to Subsection (b), the retirement system
 6-21 shall compute the gain sharing interest rate applicable to the
 6-22 subsequent fiscal year by:

6-23 (1) determining the average return on the investment
 6-24 of the system's cash and securities during the preceding five
 6-25 fiscal years, expressed as a percentage rate;

6-26 (2) subtracting four percentage points from the
 6-27 percentage rate determined under Subdivision (1); and

6-28 (3) multiplying the sum determined under Subdivision
 6-29 (2) by 50 percent.

6-30 (b) Subject to Subsection (c), in addition to the amount
 6-31 deposited under Section 820.102, each fiscal year, the retirement
 6-32 system shall deposit into each member's and retiree's individual
 6-33 account in the employees saving account an amount equal to the gain
 6-34 sharing interest rate determined under Subsection (a) for the
 6-35 fiscal year multiplied by the member's or retiree's, as applicable,
 6-36 accumulated account balance.

6-37 (c) The gain sharing interest rate applied under Subsection
 6-38 (b) may not be less than zero or more than three percent.

6-39 (d) Subsection (b) applies only to a retiree who is
 6-40 receiving a cash balance annuity under Section 820.053.

6-41 SECTION 22. Section 1551.102(b), Insurance Code, is amended
 6-42 to read as follows:

6-43 (b) An individual is eligible to participate in the group
 6-44 benefits program as provided by Subsection (a) if:

6-45 (1) the individual retires under the jurisdiction of
 6-46 the Employees Retirement System of Texas; and

6-47 (2) the individual:

6-48 (A) receives or is eligible to receive an annuity
 6-49 under Section 814.104(a)(2), Government Code, and has at least 10
 6-50 years of eligible service credit;

6-51 (B) receives or is eligible to receive an annuity
 6-52 under Chapter 803 or Section 814.104(a)(1), Government Code, has at
 6-53 least 10 years of eligible service credit, and is at least 65 years
 6-54 of age; [~~or~~]

6-55 (C) receives or is eligible to receive an annuity
 6-56 that is based on eligibility under Section 814.002, 814.102,
 6-57 814.104(b), 814.107(a), 834.101, or 839.101, Government Code; or

6-58 (D) receives or is eligible to receive an annuity
 6-59 under Subchapter B, Chapter 820, Government Code.

6-60 SECTION 23. The Employees Retirement System of Texas is
 6-61 required to implement a provision of this Act only if the
 6-62 legislature appropriates money specifically for that purpose. If
 6-63 the legislature does not appropriate money specifically for that
 6-64 purpose, the Employees Retirement System of Texas may, but is not
 6-65 required to, implement a provision of this Act using other
 6-66 appropriations available for that purpose.

6-67 SECTION 24. This Act takes effect immediately if it
 6-68 receives a vote of two-thirds of all the members elected to each
 6-69 house, as provided by Section 39, Article III, Texas Constitution.

7-1 If this Act does not receive the vote necessary for immediate
7-2 effect, this Act takes effect September 1, 2021.

7-3

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