

By: Bonnen

H.B. No. 600

A BILL TO BE ENTITLED

AN ACT

relating to contributions to, benefits from, and the administration of systems and programs administered by the Teacher Retirement System of Texas.

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

SECTION 1. Subchapter H, Chapter 824, Government Code, is amended by adding Sections 824.703 and 824.704 to read as follows:

Sec. 824.703. GAIN SHARING COST-OF-LIVING ADJUSTMENT. (a) Beginning with the fiscal year that begins on September 1, 2028 and for each subsequent fiscal year, the retirement system shall make a cost-of-living adjustment payable to eligible annuitants receiving a retirement or death benefit annuity payment under this section only if the retirement system's average return on the investment of system's cash and securities during the preceding five fiscal years, expressed as a percentage rate, is equal to or exceeds seven percent.

(b) Subject to Subsection (c), the amount of the cost-of-living adjustment that the retirement system shall provide to an annuitant during a fiscal year if required to provide an adjustment under Subsection (a) is an amount equal to the annuitant's monthly annuity payment the month the adjustment is effective multiplied by a percentage equal to:

(1) Five subtracted from the average rate of return on investment during the preceding five fiscal years as described by

1 subsection (a); and

2 (2) the difference determined in subdivision (1)  
3 multiplied by 50 percent and rounded down to the nearest one-tenth  
4 of a percent.

5 (c) The amount of the cost-of-living adjustment provided by  
6 Subsection (a) may not exceed two percent of an annuitant's monthly  
7 benefit.

8 (d) Subject to Subsections (e) and (f), a person is eligible  
9 to receive a cost-of-living adjustment under this section if the  
10 person is, in the month in which the adjustment is effective and  
11 disregarding any forfeiture of benefits under Section 824.601, an  
12 annuitant that:

13 (1) is eligible to receive:

14 (A) a standard service or disability retirement  
15 annuity payment;

16 (2) an optional service or disability retirement  
17 annuity payment as either a retiree or beneficiary;

18 (3) an annuity payment under Section  
19 824.402(a)(3) or (4);

20 (4) an annuity payment under Section 824.502; or

21 (5) an alternate payee annuity payment under  
22 Section 804.005;

23 (2) became entitled to receive annuity payments at  
24 least three years prior to the beginning of the fiscal year in which  
25 the cost-of-living adjustment is to be made; and

26 (3) is alive in the month in which the cost-of-living  
27 adjustment is effective.

1       (e) A beneficiary receiving an optional service or  
2 disability retirement annuity payment is eligible to receive a  
3 cost-of-living adjustment under Subsection (a) if the beneficiary  
4 meets the requirements of Subsections (d)(1) and (d)(3) and either  
5 the beneficiary or the retiree who selected to optional service or  
6 disability retirement plan became entitled to receive annuity  
7 payments at least three years prior to the beginning of the fiscal  
8 year in which the cost-of-living adjustment is to be made.

9       (f) An adjustment made under this section does not apply to  
10 payments under:

11           (1) Section 824.203(d), relating to retirees who  
12 receive a standard service retirement annuity in an amount fixed by  
13 statute;

14           (2) Section 824.304(a), relating to disability  
15 retirees with less than 10 years of service credit;

16           (3) Section 824.304(b)(2), relating to disability  
17 retirees who receive a disability annuity in an amount fixed by  
18 statute;

19           (4) Section 824.404(a), relating to active member  
20 survivor beneficiaries who receive a survivor annuity in an amount  
21 fixed by statute;

22           (5) Section 824.501(a), relating to retiree survivor  
23 beneficiaries who receive a survivor annuity in an amount fixed by  
24 statute; or

25           (6) Section 824.804(b), relating to participants in  
26 the deferred retirement option plan with regard to payments from  
27 their deferred retirement option plan accounts.

1       Sec. 824.704. COST-OF-LIVING ADJUSTMENT. (a) The  
2 retirement system shall make a one-time cost-of-living adjustment  
3 payable to annuitants receiving a monthly death or retirement  
4 benefit annuity, as provided by this section.

5       (b) Subject to Subsections (c) and (d), to be eligible for  
6 the adjustment, a person must be, on the effective date of the  
7 adjustment and disregarding any forfeiture of benefits under  
8 Section 824.601, an annuitant eligible to receive:

9           (1) a standard service or disability retirement  
10 annuity payment;

11           (2) an optional service or disability retirement  
12 annuity payment as either a retiree or beneficiary;

13           (3) an annuity payment under Section 824.402(a)(3) or  
14 (4);

15           (4) an annuity payment under Section 824.502; or

16           (5) an alternate payee annuity payment under Section  
17 804.005.

18       (c) If the annuitant:

19           (1) is a retiree, or is a beneficiary under an optional  
20 retirement payment plan, to be eligible for the adjustment under  
21 this section:

22                   (A) the annuitant must be living on the effective  
23 date of the adjustment; and

24                   (B) the effective date of the retirement of the  
25 member of the Teacher Retirement System of Texas must have been on  
26 or before December 31, 2020;

27           (2) is a beneficiary under Section 824.402(a)(3) or

1 (4) or 824.502, to be eligible for the adjustment:

2 (A) the annuitant must be living on the effective  
3 date of the adjustment; and

4 (B) the date of death of the member of the  
5 retirement system must have been on or before December 31, 2020; or

6 (3) is an alternate payee under Section 804.005, the  
7 annuitant is eligible for the adjustment only if the effective date  
8 of the election to receive the annuity payment was on or before  
9 December 31, 2020.

10 (d) An adjustment made under this section does not apply to  
11 payments under:

12 (1) Section 824.203(d), relating to retirees who  
13 receive a standard service retirement annuity in an amount fixed by  
14 statute;

15 (2) Section 824.304(a), relating to disability  
16 retirees with less than 10 years of service credit;

17 (3) Section 824.304(b)(2), relating to disability  
18 retirees who receive a disability annuity in an amount fixed by  
19 statute;

20 (4) Section 824.404(a), relating to active member  
21 survivor beneficiaries who receive a survivor annuity in an amount  
22 fixed by statute;

23 (5) Section 824.501(a), relating to retiree survivor  
24 beneficiaries who receive a survivor annuity in an amount fixed by  
25 statute; or

26 (6) Section 824.804(b), relating to participants in  
27 the deferred retirement option plan with regard to payments from

1 their deferred retirement option plan accounts.

2 (e) An adjustment under this section must be made beginning  
3 with an annuity payable for the month of January 2024.

4 (f) The amount of the adjustment provided under this section  
5 is calculated by multiplying the amount of the first monthly  
6 benefit subject to the adjustment by a percentage determined as  
7 follows:

8 (1) For annuitants described by Subsection (c)(1):

9 (A) If the retiree's effective date of retirement  
10 was before January 1, 2004, an adjustment of six percent;

11 (B) If the retiree's effective date of retirement  
12 was on or after January 1, 2004, but before January 1, 2014, an  
13 adjustment of four percent; and

14 (C) If the retiree's effective date of retirement  
15 was on or after January 1, 2014, but before January 1, 2021, an  
16 adjustment of two percent;

17 (2) For annuitants described by Subsection (c)(2):

18 (A) If the member's date of death was before  
19 January 1, 2004, an adjustment of six percent;

20 (B) If the member's date of death was on or after  
21 January 1, 2004, but before January 1, 2014, an adjustment of four  
22 percent; and

23 (C) If the member's date of death was on or after  
24 January 1, 2014, but before January 1, 2021, an adjustment of two  
25 percent; and

26 (3) For annuitants described by Subsection (c)(3):

27 (A) If the annuitant's date of election was

1 before January 1, 2004, an adjustment of six percent;

2 (B) If the annuitant's date of election was on or  
3 after January 1, 2004, but before January 1, 2014, an adjustment of  
4 four percent; and

5 (C) If the annuitant's date of election was on or  
6 after January 1, 2014, but before January 1, 2021, an adjustment of  
7 two percent.

8 (g) The board of trustees shall determine the eligibility  
9 for and the amount of any adjustment in monthly annuities in  
10 accordance with this section.

11 SECTION 2. Section 825.402, Government Code, is amended to  
12 read as follows:

13 Sec. 825.402. RATE OF MEMBER CONTRIBUTIONS. The rate of  
14 contributions for each member of the retirement system is:

15 (1) five percent of the member's annual compensation  
16 or \$180, whichever is less, for service rendered after August 31,  
17 1937, and before September 1, 1957;

18 (2) six percent of the first \$8,400 of the member's  
19 annual compensation for service rendered after August 31, 1957, and  
20 before September 1, 1969;

21 (3) six percent of the member's annual compensation  
22 for service rendered after August 31, 1969, and before the first day  
23 of the 1977-78 school year;

24 (4) 6.65 percent of the member's annual compensation  
25 for service rendered after the last day of the period described by  
26 Subdivision (3) and before September 1, 1985;

27 (5) 6.4 percent of the member's annual compensation

1 for service rendered after August 31, 1985, and before September 1,  
2 2014;

3 (6) 6.7 percent of the member's annual compensation  
4 for service rendered after August 31, 2014, and before September 1,  
5 2015;

6 (7) 7.2 percent of the member's annual compensation  
7 for service rendered after August 31, 2015, and before September 1,  
8 2016;

9 (8) 7.7 percent of the member's annual compensation  
10 for service rendered after August 31, 2016, and before September 1,  
11 2017;

12 (9) for compensation paid on or after September 1,  
13 2017, and before September 1, 2019, the lesser of:

14 (A) 7.7 percent of the member's annual  
15 compensation; or

16 (B) a percentage of the member's annual  
17 compensation equal to 7.7 percent reduced by one-tenth of one  
18 percent for each one-tenth of one percent that the state  
19 contribution rate for the fiscal year to which the compensation  
20 relates is less than the state contribution rate established for  
21 the 2015 fiscal year;

22 (10) for compensation paid on or after September 1,  
23 2019, and before September 1, 2021, the lesser of:

24 (A) 7.7 percent of the member's annual  
25 compensation; or

26 (B) a percentage of the member's annual  
27 compensation equal to 7.7 percent reduced by one-tenth of one



1 percent for each one-tenth of one percent that the state  
2 contribution rate for the fiscal year to which the compensation  
3 relates is less than the state contribution rate established for  
4 that fiscal year under Section 825.404(a-2);

5 (11) for compensation paid on or after September 1,  
6 2021, and before September 1, 2023, the lesser of:

7 (A) eight percent of the member's annual  
8 compensation; or

9 (B) a percentage of the member's annual  
10 compensation equal to eight percent reduced by one-tenth of one  
11 percent for each one-tenth of one percent that the state  
12 contribution rate for the fiscal year to which the compensation  
13 relates is less than the state contribution rate established for  
14 that fiscal year under Section 825.404(a-2); and

15 (12) for compensation paid on or after September 1,  
16 2023, the lesser of:

17 (A) 9.00 [~~8.25~~] percent of the member's annual  
18 compensation; or

19 (B) a percentage of the member's annual  
20 compensation equal to 9.00 [~~8.25~~] percent reduced by one-tenth of  
21 one percent for each one-tenth of one percent that the state  
22 contribution rate for the fiscal year to which the compensation  
23 relates is less than the state contribution rate established for  
24 that fiscal year under Section 825.404(a-2).

25 SECTION 3. Section 825.404(a-2), Government Code, is  
26 amended to read as follows:

27 (a-2) The state contribution required by Subsection (a) is:

1 (1) for the fiscal years beginning on September 1,  
2 2019, and September 1, 2020, 7.5 percent of the aggregate annual  
3 compensation of all members of the retirement system during the  
4 applicable fiscal year;

5 (2) for the fiscal year beginning on September 1,  
6 2021, 7.75 percent of the aggregate annual compensation of all  
7 members of the retirement system during that fiscal year;

8 (3) for the fiscal year beginning on September 1,  
9 2022, eight percent of the aggregate annual compensation of all  
10 members of the retirement system during that fiscal year; and

11 (4) for the fiscal year beginning on September 1,  
12 2023, and each subsequent fiscal year, 9.00 [~~8.25~~] percent of the  
13 aggregate annual compensation of all members of the retirement  
14 system during that fiscal year.

15 SECTION 4. Subchapter E, Chapter 825, Government Code, is  
16 amended by adding Section 825.4041 to read as follows:

17 Sec. 825.4041. LEGACY PAYMENTS. (a) In addition to the  
18 state contributions required by this subtitle, each fiscal year the  
19 state shall make an actuarially determined payment in the amount  
20 necessary to amortize the system's unfunded actuarial liabilities  
21 by not later than the fiscal year ending August 31, 2054.

22 (b) Before each regular legislative session, the retirement  
23 system shall provide the Legislative Budget Board with the amount  
24 necessary to make the actuarially determined payment required under  
25 Subsection (a). The director of the Legislative Budget Board,  
26 under the direction of the Legislative Budget Board, shall include  
27 that payment in the general appropriations bill prepared for

1 introduction at each regular legislative session under Section  
2 322.008. This subsection expires September 1, 2055.

3 SECTION 5. (a) Subject to Subsection (i) of this section  
4 and Section 821.006, Government Code, the Teacher Retirement System  
5 of Texas shall make a one-time supplemental payment of a retirement  
6 or death benefit, as provided by this section.

7 (b) The supplemental payment is payable not later than  
8 February 2024 and, to the extent practicable, on a date or dates  
9 that coincide with the regular annuity payment payable to each  
10 eligible annuitant.

11 (c) The amount of the supplemental payment is \$5,000.

12 (d) The supplemental payment is payable without regard to  
13 any forfeiture of benefits under Section 824.601, Government Code.  
14 The Teacher Retirement System of Texas shall make applicable tax  
15 withholding and other legally required deductions before  
16 disbursing the supplemental payment. A supplemental payment under  
17 this section is in addition to and not in lieu of the regular  
18 monthly annuity payment to which the eligible annuitant is  
19 otherwise entitled.

20 (e) Subject to Subsection (f) of this section, to be  
21 eligible for the supplemental payment, a person must be, for the  
22 calendar month immediately prior to the calendar month in which the  
23 Teacher Retirement System of Texas issues the one-time supplemental  
24 payment in accordance with Subsection (b) of this section, and  
25 disregarding any forfeiture of benefits under Section 824.601,  
26 Government Code, an annuitant who is at least 70 years of age and  
27 eligible to receive:

- 1 (1) a standard retirement annuity payment;
- 2 (2) an optional retirement annuity payment as either a  
3 retiree or beneficiary;
- 4 (3) a life annuity payment under Section  
5 824.402(a)(4), Government Code;
- 6 (4) an annuity for a guaranteed period of 60 months  
7 under Section 824.402(a)(3), Government Code; or
- 8 (5) an alternate payee annuity payment under Section  
9 804.005, Government Code.

10 (f) The supplemental payment is in addition to the  
11 guaranteed number of payments under Section 824.204(c)(3) or (4),  
12 Section 824.308(c)(3) or (4), or Section 824.402(a)(3), Government  
13 Code, and may not be counted as one of the guaranteed monthly  
14 payments.

15 (g) The supplemental payment does not apply to payments  
16 under:

17 (1) Section 824.304(a), Government Code, relating to  
18 disability retirees with less than 10 years of service credit;

19 (2) Section 824.804(b), Government Code, relating to  
20 participants in the deferred retirement option plan with regard to  
21 payments from their deferred retirement option plan accounts;

22 (3) Section 824.501(a), Government Code, relating to  
23 retiree survivor beneficiaries who receive a survivor annuity in an  
24 amount fixed by statute; or

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

1           (h) The board of trustees of the Teacher Retirement System  
2 of Texas shall determine the eligibility for and the amount and  
3 timing of a supplemental payment and the manner in which the payment  
4 is made.

5           (i) The Teacher Retirement System of Texas is required to  
6 make a one-time supplemental payment of benefits under this section  
7 only if the board of trustees of the Teacher Retirement System of  
8 Texas finds that the legislature appropriated money to the  
9 retirement system in an amount sufficient to provide the payment.  
10 The amount appropriated by the legislature to provide the payment  
11 must be in addition to the amount the state is required to  
12 contribute to the retirement system under Section [825.404](#),  
13 Government Code. If the board of trustees of the Teacher Retirement  
14 System of Texas finds that the retirement system did not receive the  
15 full amount appropriated by the legislature to provide a one-time  
16 supplemental payment of benefits under this section, the retirement  
17 system may not make the payment.

18           (j) If the board of trustees of the Teacher Retirement  
19 System determines that the appropriation provided by the  
20 legislature for the one-time supplemental payment of benefits is  
21 different from the amount required to issue the one-time  
22 supplemental payment of benefits under this section, the  
23 comptroller, after the end of the fiscal year, shall make  
24 adjustments in the teacher retirement fund and the general revenue  
25 fund so that the total transfers during the year equal the total  
26 amount of the funds required for the one-time supplemental payment  
27 of benefits. This transfer of funds is in addition to and separate

1 from the amount the state is required to contribute to the  
2 retirement system under Section 825.404, Government Code.

3 SECTION 7. Section 824.702, Government Code, is repealed.

4 SECTION 8. This Act takes effect September 1, 2023, but only  
5 if the constitutional amendment proposed by the 88th Legislature,  
6 Regular Session, 2023, authorizing the legislature to provide  
7 one-time or ongoing benefit enhancements to eligible annuitants of  
8 the Teacher Retirement System of Texas, including a one-time  
9 transfer of funds for that purpose, is approved by the voters. If  
10 that proposed constitutional amendment is not approved by the  
11 voters, this Act has no effect.