

By: Raney

H.B. No. 4139

A BILL TO BE ENTITLED

AN ACT

relating to a pilot program to study implementation of a split-benefit life insurance 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. PILOT PROGRAM TO STUDY SPLIT-BENEFIT LIFE INSURANCE PLAN

Sec. 826.0001. DEFINITIONS. In this chapter:

(1) "Beneficiary" or "designated beneficiary" means a person or entity who is designated by a participant under authority of Section 826.0002(a)(2) to receive the proceeds of a life insurance policy purchased under the plan.

(2) "Participant" means a member of the retirement system who elects to enroll in the plan.

(3) "Pilot program" means the pilot program established under Section 826.0002.

(4) "Plan manager" means the plan manager the retirement system enters into a contract with under Section 826.0008.

(5) "Split-benefit life insurance plan" or "plan" means the split-benefit life insurance plan established under the pilot program.

1 (6) "Trust fund" means the TRS split-benefit life
2 insurance plan trust fund established under Section 826.0004.

3 (7) "Trustee" means the trustee the board of trustees
4 enters into a contract with under Section 826.0007.

5 Sec. 826.0002. SPLIT-BENEFIT LIFE INSURANCE PLAN. (a) The
6 board of trustees, in consultation with the Texas Department of
7 Insurance, shall establish and oversee a 10-year pilot program
8 designed to study the feasibility, financial benefit, and
9 anticipated impact of implementing a split-benefit life insurance
10 plan that provides a life insurance benefit to members of the
11 retirement system who elect to participate in the pilot program
12 while also providing an additional revenue source for funding the
13 retirement system. Under the plan:

14 (1) the trustee shall purchase a life insurance policy
15 that provides for a cash value, the face value of which is \$67,500,
16 for each participant;

17 (2) each participant may designate a beneficiary to
18 receive 50 percent of the proceeds of the life insurance policy
19 purchased under the plan; and

20 (3) except as provided by Subdivision (2), the trust
21 fund is the owner and beneficiary of each life insurance policy
22 purchased under the plan.

23 (b) The trustee or plan manager shall obtain financing from
24 third-party purchasers to pay the premium of a life insurance
25 policy purchased under the plan in accordance with Section
26 826.0010. On the death of a participant, the trustee or plan
27 manager, as applicable, shall repay the third-party purchasers from

1 the proceeds of the life insurance policy.

2 (c) The retirement system has all the authority necessary
3 and proper to carry out the system's duties under this chapter.

4 Sec. 826.0003. MEMBER PARTICIPATION: ENROLLMENT IN PLAN.

5 (a) A member of the retirement system may elect to enroll in the
6 plan if the member:

7 (1) is 35 years of age or younger; and

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

10 (b) The retirement system shall:

11 (1) attempt to enroll at least 80,000 members in the
12 plan; and

13 (2) ensure that not later than the 30th day after the
14 date a person becomes eligible for membership in the system, the
15 person is given an opportunity to elect to enroll in the plan.

16 (c) A member may not be required to enroll in the plan or to
17 pay the premium or any other fee to enroll in the plan.

18 Sec. 826.0004. TRS SPLIT-BENEFIT LIFE INSURANCE PLAN TRUST
19 FUND. (a) In this section, "financial institution" has the meaning
20 assigned by Section 201.101, Finance Code.

21 (b) The TRS split-benefit life insurance plan trust fund is
22 a trust fund outside the state treasury that is:

23 (1) held in a financial institution by the comptroller
24 on behalf of members of the retirement system; and

25 (2) administered by the retirement system through a
26 contract with the trustee and plan manager.

27 (c) The trust fund consists of:

1 (1) proceeds of a life insurance policy issued to a
2 participant;

3 (2) gifts, grants, and other donations received for
4 the trust fund;

5 (3) proceeds of third-party purchasers obtained for
6 purposes of the trust fund; and

7 (4) interest earned on trust fund money.

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

10 (e) The retirement system and the trustee shall administer
11 the trust fund in a manner that qualifies income earned in the trust
12 fund for an exemption from federal income taxation under Section
13 115, Internal Revenue Code of 1986.

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

16 (1) purchase life insurance policies for
17 participants;

18 (2) distribute proceeds in accordance with Section
19 826.0006;

20 (3) pay deferred investment gains to third-party
21 purchasers in accordance with Section 826.0010;

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

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

26 Sec. 826.0006. TRUST FUND DISTRIBUTIONS. On the death of a
27 participant, the trustee shall:

1 (1) distribute 50 percent of the proceeds under the
2 life insurance policy to the participant's designated beneficiary,
3 if any; and

4 (2) retain the remaining proceeds in the trust fund to
5 use in accordance with Section 826.0005.

6 Sec. 826.0007. TRUSTEE. (a) The board of trustees shall
7 contract with a person that is independent of the board, the plan
8 manager, and the insurance company issuing the life insurance
9 policy provided under the plan to act as the trustee of the trust
10 fund. The trustee shall:

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

12 (2) distribute life insurance policy proceeds as
13 appropriate;

14 (3) annually or at the request of the board of
15 trustees, provide status reports on the performance of the plan to
16 the board;

17 (4) as appropriate, enter into agreements with
18 third-party purchasers in accordance with Section 826.0010 to
19 finance the premiums of life insurance policies purchased under the
20 plan;

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

23 (6) work with the plan manager to ensure life
24 insurance policy information is correct and complies with the plan;

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

27 and

1 (8) on the death of a participant, distribute the
2 proceeds under the life insurance policy to the designated
3 beneficiary in accordance with Section 826.0006(1).

4 (b) The trustee has all the authority necessary or proper to
5 carry out the trustee's duties under this section.

6 Sec. 826.0008. PLAN MANAGER. The board of trustees shall
7 contract with a person to act as plan manager. The plan manager
8 shall:

9 (1) design, implement, and assist the retirement
10 system with overseeing the plan and ensure compliance with all
11 applicable legal and technical requirements;

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

14 (3) design or select a life insurance policy
15 appropriate for the plan;

16 (4) obtain the approval and support of an insurance
17 company for the plan;

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

21 (6) negotiate with third-party purchasers for the most
22 advantageous financing terms;

23 (7) provide the trustee with information needed to
24 complete annual status reports required under Section
25 826.0007(a)(3);

26 (8) by working with the retirement system, facilitate
27 member enrollment in the plan;

1 (9) work with the retirement system to ensure
2 participants have access to the insurance company's claims
3 department;

4 (10) oversee member compliance with the insurance
5 company's underwriting process to ensure proper enrollment in the
6 plan;

7 (11) enroll new members in the plan as appropriate;
8 and

9 (12) advise the trustee on:

10 (A) plan maintenance or changes; and

11 (B) appropriate payment to third-party
12 purchasers.

13 Sec. 826.0009. LIFE INSURANCE COMPANY. To be eligible to
14 participate in the plan, an insurance company must have a suitable
15 credit rating, as determined by the board of trustees.

16 Sec. 826.0010. THIRD-PARTY PURCHASERS. The trustee shall
17 contract with third-party purchasers who contribute money as policy
18 owners to finance the premiums for each life insurance policy
19 provided under the plan. The trustee shall ensure:

20 (1) separate accounts are created for each purchaser
21 at the insurance company issuing the life insurance policy provided
22 under the plan;

23 (2) money contributed by the purchasers to fund
24 premiums is deposited with professional money managers on the
25 insurance company's platform; and

26 (3) in accordance with state and federal insurance law
27 and regulations, purchasers receive all the deferred investment

1 gains and the retirement system receives all of the associated life
2 insurance proceeds for distribution in accordance with this
3 chapter.

4 Sec. 826.0011. CONFIDENTIALITY OF RECORDS. (a) Except as
5 provided by Subsection (b), all information relating to the plan is
6 public and subject to disclosure under Chapter 552.

7 (b) Information relating to a prospective participant,
8 including any personally identifiable information, is confidential
9 except that the board may disclose that information to:

10 (1) the participant regarding the participant's life
11 insurance policy; or

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

14 Sec. 826.0012. PLAN LIMITATIONS. (a) This chapter may not
15 be construed to guarantee that proceeds under a life insurance
16 policy will be sufficient to cover the expenses of a designated
17 beneficiary.

18 (b) This chapter may not be construed to create any
19 obligation of this state, any agency or instrumentality of this
20 state, or the plan manager to guarantee for the benefit of a
21 participant or a designated beneficiary:

22 (1) the return of any amount contributed to the trust
23 fund on behalf of the participant;

24 (2) the rate of interest or other return on the life
25 insurance policy; or

26 (3) the payment of interest or other return on the life
27 insurance policy.

1 Sec. 826.0013. BIENNIAL REPORTS. (a) Not later than
2 November 1 of each even-numbered year, the retirement system shall
3 prepare and submit to the governor, the lieutenant governor, the
4 speaker of the house of representatives, and each member of the
5 legislature a report that includes a status report on the pilot
6 program, including an evaluation of the performance of the plan.

7 (b) In its final report under this section, the retirement
8 system shall include its findings and recommendations regarding
9 whether the split-benefit life insurance plan established under the
10 pilot program should be continued, modified, or terminated and make
11 specific recommendations on any statutory changes the system
12 determines appropriate based on that recommendation.

13 (c) This section expires September 1, 2035.

14 Sec. 826.0014. TERMINATION OF PILOT PROGRAM. The pilot
15 program terminates September 1, 2035.

16 Sec. 826.0015. EFFECT OF TERMINATION. An insurance policy
17 remains in effect after the pilot program is terminated if, when the
18 program is terminated, the participant is enrolled in the plan and
19 has been issued an insurance policy under the plan unless the
20 participant elects to cancel the policy.

21 SECTION 2. Not later than September 1, 2024, the board of
22 trustees of the Teacher Retirement System of Texas shall ensure the
23 pilot program and split-benefit life insurance plan are established
24 in accordance with Chapter 826, Government Code, as added by this
25 Act, and, notwithstanding Section 826.0003, Government Code, as
26 added by this Act, shall ensure enrollment of members of the
27 retirement system in the plan is delayed until the plan has been

1 implemented.

2 SECTION 3. This Act takes effect immediately if it receives
3 a vote of two-thirds of all the members elected to each house, as
4 provided by Section 39, Article III, Texas Constitution. If this
5 Act does not receive the vote necessary for immediate effect, this
6 Act takes effect September 1, 2023.