

By: Huffman, et al.  
(Bonnen, Burns, Capriglione, et al.)

S.B. No. 10

Substitute the following for S.B. No. 10:

By: Capriglione

C.S.S.B. No. 10

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 A, Chapter 821, Government Code, is amended by adding Section 821.0065 to read as follows:

Sec. 821.0065. ACTUARIAL SOUNDNESS FOR BENEFIT ENHANCEMENTS. For purposes of Section 67-a, Article XVI, Texas Constitution, the retirement system is actuarially sound if, based on the most recent actuarial valuation of the system, the amount of contributions and actuarially determined payments to the system are sufficient to cover the normal cost of the system and to amortize the unfunded actuarial accrued liability of the system within 30 years.

SECTION 2. 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) For each fiscal year that begins on or after September 1, 2028, the retirement system shall make a cost-of-living adjustment payable to eligible annuitants receiving a retirement or death benefit annuity payment only if the retirement system's average rate of return on the investment of the system's assets during the preceding five fiscal years, expressed as a percentage rate, is equal to or exceeds

1 seven percent.

2 (b) Subject to Subsection (c), the amount of the  
3 cost-of-living adjustment provided by Subsection (a) is an amount  
4 equal to the annuitant's monthly annuity payment for the month the  
5 adjustment is effective multiplied by a percentage rate that is  
6 computed by:

7 (1) determining the average rate of return on the  
8 investment of the system's assets during the preceding five fiscal  
9 years, expressed as a percentage rate;

10 (2) subtracting five percentage points from the  
11 percentage rate determined under Subdivision (1);

12 (3) multiplying the resulting difference under  
13 Subdivision (2) by 50 percent; and

14 (4) rounding down to the nearest one-tenth of a  
15 percent.

16 (c) The amount of the cost-of-living adjustment provided by  
17 Subsection (a) may not exceed two percent of an annuitant's monthly  
18 annuity payment.

19 (d) Except as provided by Subsection (f), a person is  
20 eligible to receive a cost-of-living adjustment under this section  
21 if the person is, on the effective date of the adjustment and  
22 disregarding any forfeiture of benefits under Section [824.601](#), an  
23 annuitant that:

24 (1) is eligible to receive:

25 (A) a standard service or disability retirement  
26 annuity payment;

27 (B) an optional service or disability retirement

1 annuity payment as either a retiree or beneficiary;

2 (C) an annuity payment under Section  
3 824.402(a)(3) or (4);

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

5 (E) an alternate payee annuity payment under  
6 Section 804.005;

7 (2) became eligible to receive the annuity payment  
8 described by Subdivision (1) at least three years before the first  
9 day of the fiscal year in which the adjustment is made; and

10 (3) is living on the effective date of the adjustment.

11 (e) Notwithstanding Subsection (d)(2), a beneficiary  
12 eligible to receive an optional service or disability retirement  
13 annuity payment on the effective date of a cost-of-living  
14 adjustment under this section is eligible to receive the adjustment  
15 if:

16 (1) the beneficiary meets the requirements of  
17 Subsections (d)(1) and (d)(3); and

18 (2) either the beneficiary or the retiree who selected  
19 the optional service or disability retirement annuity payment  
20 became eligible to receive the annuity payment at least three years  
21 before the first day of the fiscal year in which the adjustment is  
22 made.

23 (f) An adjustment made under this section does not apply to  
24 payments under:

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

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

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

6           (4) Section 824.404(a), relating to active member  
7 survivor beneficiaries who receive a survivor annuity in an amount  
8 fixed by statute;

9           (5) Section 824.501(a), relating to retiree survivor  
10 beneficiaries who receive a survivor annuity in an amount fixed by  
11 statute; or

12           (6) Section 824.804(b), relating to participants in  
13 the deferred retirement option plan with regard to payments from  
14 their deferred retirement option plan accounts.

15           Sec. 824.704. COST-OF-LIVING ADJUSTMENT: JANUARY 2024. (a)  
16 The retirement system shall make an additional one-time  
17 cost-of-living adjustment payable to annuitants receiving a  
18 monthly death or retirement benefit annuity, as provided by this  
19 section.

20           (b) Subject to Subsection (c) and except as provided by  
21 Subsection (d), to be eligible for the adjustment, a person must be,  
22 on the effective date of the adjustment and disregarding any  
23 forfeiture of benefits under Section 824.601, an annuitant eligible  
24 to receive:

25           (1) a standard service or disability retirement  
26 annuity payment;

27           (2) an optional service or disability retirement

1 annuity payment as either a retiree or beneficiary;

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

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

5 (5) an alternate payee annuity payment under Section  
6 804.005.

7 (c) If the annuitant:

8 (1) is a retiree, or is a beneficiary under an optional  
9 service or disability retirement payment plan, to be eligible for  
10 the adjustment under this section:

11 (A) the annuitant must be living on the effective  
12 date of the adjustment; and

13 (B) the effective date of the retirement of the  
14 member of the retirement system on whose service the annuity is  
15 based must have been on or before December 31, 2020;

16 (2) is a beneficiary under Section 824.402(a)(3) or  
17 (4) or 824.502, to be eligible for the adjustment:

18 (A) the annuitant must be living on the effective  
19 date of the adjustment; and

20 (B) the date of death of the member of the  
21 retirement system on whose service the annuity is based must have  
22 been on or before December 31, 2020; or

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

27 (d) An adjustment made under this section does not apply to

1 payments under:

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

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

7 (3) Section 824.304(b)(2), relating to disability  
8 retirees who receive a disability annuity in an amount fixed by  
9 statute;

10 (4) Section 824.404(a), relating to active member  
11 survivor beneficiaries who receive a survivor annuity in an amount  
12 fixed by statute;

13 (5) Section 824.501(a), relating to retiree survivor  
14 beneficiaries who receive a survivor annuity in an amount fixed by  
15 statute; or

16 (6) Section 824.804(b), relating to participants in  
17 the deferred retirement option plan with regard to payments from  
18 their deferred retirement option plan accounts.

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

21 (f) The amount of the adjustment provided under this section  
22 is calculated by multiplying the amount of the monthly benefit  
23 subject to the adjustment by the following percentage rate, as  
24 applicable:

25 (1) for annuitants described by Subsection (c)(1):

26 (A) if the retiree's effective date of retirement  
27 was before January 1, 2004, six percent;

1           (B) if the retiree's effective date of retirement  
2 was on or after January 1, 2004, but before January 1, 2014, four  
3 percent; and

4           (C) if the retiree's effective date of retirement  
5 was on or after January 1, 2014, but before January 1, 2021, two  
6 percent;

7           (2) for annuitants described by Subsection (c)(2):

8           (A) if the member's date of death was before  
9 January 1, 2004, six percent;

10           (B) if the member's date of death was on or after  
11 January 1, 2004, but before January 1, 2014, four percent; and

12           (C) if the member's date of death was on or after  
13 January 1, 2014, but before January 1, 2021, two percent; and

14           (3) for annuitants described by Subsection (c)(3):

15           (A) if the annuitant's date of election was  
16 before January 1, 2004, six percent;

17           (B) if the annuitant's date of election was on or  
18 after January 1, 2004, but before January 1, 2014, four percent; and

19           (C) if the annuitant's date of election was on or  
20 after January 1, 2014, but before January 1, 2021, two percent.

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

24           SECTION 3. Section 825.402, Government Code, is amended to  
25 read as follows:

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

1           (1) five percent of the member's annual compensation  
2 or \$180, whichever is less, for service rendered after August 31,  
3 1937, and before September 1, 1957;

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

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

10           (4) 6.65 percent of the member's annual compensation  
11 for service rendered after the last day of the period described by  
12 Subdivision (3) and before September 1, 1985;

13           (5) 6.4 percent of the member's annual compensation  
14 for service rendered after August 31, 1985, and before September 1,  
15 2014;

16           (6) 6.7 percent of the member's annual compensation  
17 for service rendered after August 31, 2014, and before September 1,  
18 2015;

19           (7) 7.2 percent of the member's annual compensation  
20 for service rendered after August 31, 2015, and before September 1,  
21 2016;

22           (8) 7.7 percent of the member's annual compensation  
23 for service rendered after August 31, 2016, and before September 1,  
24 2017;

25           (9) for compensation paid on or after September 1,  
26 2017, and before September 1, 2019, the lesser of:

27           (A) 7.7 percent of the member's annual



1 compensation; or

2 (B) a percentage of the member's annual  
3 compensation equal to 7.7 percent reduced by one-tenth of one  
4 percent for each one-tenth of one percent that the state  
5 contribution rate for the fiscal year to which the compensation  
6 relates is less than the state contribution rate established for  
7 the 2015 fiscal year;

8 (10) for compensation paid on or after September 1,  
9 2019, and before September 1, 2021, the lesser of:

10 (A) 7.7 percent of the member's annual  
11 compensation; or

12 (B) a percentage of the member's annual  
13 compensation equal to 7.7 percent reduced by one-tenth of one  
14 percent for each one-tenth of one percent that the state  
15 contribution rate for the fiscal year to which the compensation  
16 relates is less than the state contribution rate established for  
17 that fiscal year under Section 825.404(a-2);

18 (11) for compensation paid on or after September 1,  
19 2021, and before January [~~September~~] 1, 2024 [~~2023~~], the lesser of:

20 (A) eight percent of the member's annual  
21 compensation; or

22 (B) a percentage of the member's annual  
23 compensation equal to eight percent reduced by one-tenth of one  
24 percent for each one-tenth of one percent that the state  
25 contribution rate for the fiscal year to which the compensation  
26 relates is less than the state contribution rate established for  
27 that fiscal year under Section 825.404(a-2); and

1 (12) for compensation paid on or after January  
2 [~~September~~] 1, 2024 [~~2023~~], the lesser of:

3 (A) nine [~~8.25~~] percent of the member's annual  
4 compensation; or

5 (B) a percentage of the member's annual  
6 compensation equal to nine [~~8.25~~] percent reduced by one-tenth of  
7 one percent for each one-tenth of one percent that the state  
8 contribution rate for the fiscal year to which the compensation  
9 relates is less than the state contribution rate established for  
10 that fiscal year under Section 825.404(a-2).

11 SECTION 4. Section 825.404(a-2), Government Code, is  
12 amended to read as follows:

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

14 (1) for the fiscal years beginning on September 1,  
15 2019, and September 1, 2020, 7.5 percent of the aggregate annual  
16 compensation of all members of the retirement system during the  
17 applicable fiscal year;

18 (2) for the fiscal year beginning on September 1,  
19 2021, 7.75 percent of the aggregate annual compensation of all  
20 members of the retirement system during that fiscal year;

21 (3) for the fiscal year beginning on September 1,  
22 2022, eight percent of the aggregate annual compensation of all  
23 members of the retirement system during that fiscal year; and

24 (4) for the fiscal year beginning on September 1,  
25 2023, and each subsequent fiscal year, nine [~~8.25~~] percent of the  
26 aggregate annual compensation of all members of the retirement  
27 system during that fiscal year.

1 SECTION 5. Subchapter E, Chapter 825, Government Code, is  
2 amended by adding Section 825.4042 to read as follows:

3 Sec. 825.4042. ACTUARIALLY DETERMINED PAYMENTS. (a) In  
4 addition to the state contributions required by this subtitle, each  
5 fiscal year the state shall make an actuarially determined payment  
6 in the amount necessary to amortize the system's unfunded actuarial  
7 liabilities by not later than the fiscal year ending August 31,  
8 2054.

9 (b) Before each regular legislative session, the retirement  
10 system shall provide the Legislative Budget Board with the amount  
11 necessary to make the actuarially determined payment required under  
12 Subsection (a). The director of the Legislative Budget Board,  
13 under the direction of the Legislative Budget Board, shall include  
14 that payment in the general appropriations bill prepared for  
15 introduction at each regular legislative session under Section  
16 322.008. This section expires September 1, 2055.

17 SECTION 6. (a) Subject to Subsections (e) and (i) of this  
18 section and Section 821.006, Government Code, and except as  
19 provided by Subsection (g) of this section, the Teacher Retirement  
20 System of Texas shall make a one-time supplemental payment of a  
21 retirement or death benefit, as provided by this section.

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

26 (c) The amount of the supplemental payment is equal to  
27 \$5,000.

1 (d) The supplemental payment is payable without regard to  
2 any forfeiture of benefits under Section 824.601, Government Code.  
3 The Teacher Retirement System of Texas shall make applicable tax  
4 withholding and other legally required deductions before  
5 disbursing the supplemental payment. A supplemental payment under  
6 this section is in addition to and not in lieu of the regular  
7 monthly annuity payment to which the eligible annuitant is  
8 otherwise entitled.

9 (e) To be eligible for the supplemental payment, a person  
10 must be, for the calendar month immediately prior to the calendar  
11 month in which the Teacher Retirement System of Texas issues the  
12 one-time supplemental payment in accordance with Subsection (b) of  
13 this section, an annuitant who is:

- 14 (1) at least 70 years of age; and  
15 (2) eligible to receive:  
16 (A) a standard retirement annuity payment;  
17 (B) an optional retirement annuity payment as  
18 either a retiree or beneficiary;  
19 (C) a life annuity payment under Section  
20 824.402(a)(4), Government Code;  
21 (D) an annuity for a guaranteed period of 60  
22 months under Section 824.402(a)(3), Government Code; or  
23 (E) an alternate payee annuity payment under  
24 Section 804.005, Government Code.

25 (f) The supplemental payment is in addition to the  
26 guaranteed number of payments under Section 824.204(c)(3) or (4),  
27 Section 824.308(c)(3) or (4), or Section 824.402(a)(3), Government

1 Code, and may not be counted as one of the guaranteed monthly  
2 payments.

3 (g) The supplemental payment does not apply to payments  
4 under:

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

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

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

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

16 (h) The board of trustees of the Teacher Retirement System  
17 of Texas shall determine the eligibility for and the amount and  
18 timing of a supplemental payment and the manner in which the payment  
19 is made.

20 (i) The Teacher Retirement System of Texas is required to  
21 make a one-time supplemental payment of benefits under this section  
22 only if the board of trustees of the Teacher Retirement System of  
23 Texas finds that the legislature appropriated money to the  
24 retirement system in an amount sufficient to provide the  
25 supplemental payment. The amount appropriated by the legislature  
26 to provide the supplemental payment must be in addition to the  
27 amount the state is required to contribute to the retirement system

1 under Section 825.404, Government Code, as amended by this Act.

2 (j) If the board of trustees of the Teacher Retirement  
3 System of Texas determines that the appropriation provided by the  
4 legislature for the one-time supplemental payment of benefits under  
5 this section is different from the amount required to issue the  
6 supplemental payment, the comptroller, after the end of the fiscal  
7 year, shall make adjustments in the teacher retirement fund and the  
8 general revenue fund so that the total transfers during the year  
9 equal the total amount of the funds required for the supplemental  
10 payment. This transfer of funds is in addition to and separate from  
11 the amount the state is required to contribute to the retirement  
12 system under Section 825.404, Government Code, as amended by this  
13 Act.

14 SECTION 7. This Act takes effect January 1, 2024, but only  
15 if the constitutional amendment proposed by the 88th Legislature,  
16 Regular Session, 2023, authorizing the legislature to provide  
17 cost-of-living adjustments or other benefit enhancements to  
18 eligible annuitants of the Teacher Retirement System of Texas and  
19 providing a one-time transfer of funds for contributions,  
20 actuarially determined payments, and benefit enhancements is  
21 approved by the voters. If that proposed constitutional amendment  
22 is not approved by the voters, this Act has no effect.