

BILL ANALYSIS

H.B. 3208
By: Heflin
Government Reform
Committee Report (Unamended)

BACKGROUND AND PURPOSE

In order to cut costs, many states are using retirement incentives. These incentives, typically only offered for a limited amount of time, include increased benefits and paying lump-sum or retirement bonuses. Texas has utilized retirement incentives in the past by increasing benefit rates. In fiscal year 1994-1995, 65% of eligible employees retired, saving the state annual salaries of 194 million.

In years past, the incentives were paid from surpluses in the ERS fund. Unfortunately, the surplus has decreased significantly which means that Texas cannot offer increased benefits, but it can offer a one-time cash bonus to eligible employees as long as they retire in the first month of eligibility. Just as in the 1993 Legislature, appropriations can be reduced for salaries of employees that retire.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the board of trustees at ERS and the Comptroller in SECTION 1 (Section 814.1051, Government Code) of this bill.

ANALYSIS

Section 1: Amends Subchapter B, Chapter 814, Government Code, by adding Section 814.1051 which gives a temporary provision of lump-sum payments to certain retiring members of ERS of Texas. A member is eligible for a one time lump-sum payment if he/she is eligible to retire on or after August 31, 2003 to before September 1, 2005. In order to receive the lump-sum payment, a member who is eligible to retire on August 31, 2003 must retire on that date or a member who is eligible to retire after August 31, 2003 but before September 1, 2005 must retire the same month the member becomes eligible for retirement. The lump-sum payment equals 25% of a member's salary for a 1 year period preceding the month the member retires. The lump-sum is to be paid in a single payment when the first monthly annuity payment is paid to retiree, except when comptroller by rule sets another date. In addition, ERS is to report to the comptroller at least once a month regarding the number of retiring members eligible for the lump-sum payment. The lump-sum payment option does not apply to members who retire under Subchapter C for disability. The board of trustees and the comptroller may adopt rules to implement this section. The section expires on January 1, 2006.

Section 2: The Act will take effect immediately if it receives a two-thirds vote of all members elected to each house. If this Act does not receive the necessary vote, it will take effect on September 1, 2003.

EFFECTIVE DATE

Immediately or September 1, 2003.