

BILL ANALYSIS

C.S.S.B. 1243
By: Armbrister
Pensions & Investments
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, the Teacher Retirement System of Texas (TRS) administers and oversees the funds for all members of the public education system in Texas and many of the public university systems. C.S.S.B. 1243 modifies the body of administrative governing TRS and makes changes to some of the programs administered by that system. C.S.S.B. 1243 updates certain provisions, changes board makeup, and cleans up the statutory language.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Teacher Retirement System of Texas in SECTION 5 Subchapter B, Chapter 609 of the Government Code, and SECTION 7, (a) Section 824.601 of the Government Code of this bill.

ANALYSIS

SECTION 1. Amends Section 12.012(b), Education Code, to provide that an employee of a home-rule school district does not qualify for membership in the Teacher Retirement System of Texas (TRS). Deletes text stating that such an employee is required to be covered under TRS in the same manner and to the same extent as a qualified employee of an independent school district.

SECTION 2. Amends Section 12.057(b), Education Code, to provide that an employee of an independent school district who is employed on a campus or program granted a charter under this subchapter and who qualifies for membership in TRS shall be covered under TRS in the same manner and to the same extent as a qualified employee of the independent school district who is employed on a regularly operating campus or in a regularly operating program. Makes a nonsubstantive change.

SECTION 3. Amends Section 12.1057(a), to provide that an employee of an open-enrollment charter school operating under a charter granted by the State Board of Education who qualifies for TRS membership shall be covered under TRS to the same extent a qualified employee of a school district is covered.

SECTION 4: Amends Subsection (a), Section 609.113, Government Code which makes this section subject to Section 609.1145.

SECTION 5: Amends Subchapter B, Chapter 609, Government Code by adding Section 609.1145 which establishes and stipulates additional requirements for 457 Plan Vendors in school districts.

SECTION 6. Amends Section 822.201(c), Government Code, to exclude from salary and wages any amount, rather than supplemental compensation, received by an employee under Article 3.50-8 (Active Employee Health Coverage or Compensation Supplementation), Insurance Code.

SECTION 7. Amends Section 824.601, Government Code, as follows:

Sec. 824.601. (a) Defines "third-party entity."

- (b) This subsection is created from existing text.
- (c) This subsection is created from existing text.
- (d) Provides that a retiree who is an employee of a third-party entity is considered to be employed by a Texas public educational institution for the purposes of this subchapter unless the retiree does not perform duties or provide services on behalf of or for the benefit of the institution.
- (e) This subsection is created from existing text.
- (f) Stipulates the retirement system may adopt rules to administer this subchapter.
- (b) This subsection is created from existing text.

SECTION 8. Amends Section 824.802(a), Government Code, to require a member to make an election to participate in the plan not later than December 1, 2003.

SECTION 9. Amends Section 824.805(b), Government Code, to provide that this subsection applies only to a member participating in the plan on September 1, 2003, or to a member whose period of participation in the plan has expired on or before September 1, 2003, but who has not retired on or before that date. Authorizes a member described by this subsection, before December 31, 2003, rather than 2001, to revoke the member's decision to participate, rather than to elect to discontinue participation, in the plan on a form prescribed by and filed with TRS. Makes conforming changes.

SECTION 10. Amends Section 825.002, Government Code, by amending Subsection (a) and adding Subsections (h) and (i), as follows:

- (a) Requires the governor, with the advice and consent of the senate and as provided by this section, to appoint the, rather than seven, members of the TRS board of trustees.
- (h) Requires the governor to appoint one member of the board who is employed by a public school district as a classroom teacher, or retired and receiving benefits from TRS based on prior membership in TRS.
- (i) Requires the governor to appoint one member of the board who is a representative of the public.

SECTION 11. Amends Section 825.115, Government Code, as follows:

- Sec. 825.115. (a) This subsection is created from existing text.
- (b) Provides that Subchapter C, Chapter 2260, does not apply to TRS.

SECTION 12. Amends Subchapter D, Chapter 825, Government code by adding Section 825.316, CERTAIN PURCHASES BY RETIREMENT SYSTEM.

Stipulates that in following their constitutional duty, the retirement system may exercise any purchasing function relating to the purchase of goods, services from funds other than general revenue funds. Goods may be acquired by procurement method approved by the retirement system. The retirement system may use the services of the Texas Building and Procurement Commission to procure goods and services.

SECTION 13. Amends the heading to Section 825.512, Government Code, to read as follows:

Sec. 825.512. ANNUAL INVESTMENT PERFORMANCE AUDIT.

SECTION 14. Amends Section 825.512(e), Government Code, to delete the designation of Subsection (e).

SECTION 15. Amends Subchapter F, Chapter 825, Government Code by adding 825.519 INTERAGENCY CONTRACTS FOR CERTAIN SERVICES.

Permits the retirement system to enter into interagency contracts with the State office of Risk Management for workers' compensation coverage, claims administration and risk management services.

SECTION 16: Amends Subchapter F, Chapter 412, Labor Code by adding Section 412.054, PROVISIONS APPLICABLE TO TEACHER RETIREMENT SYSTEM OF TEXAS.

Defines "retirement system." States Sections 412.011(c)(2) do not apply to the retirement system. Permits entering into interagency contracts for workers' compensation coverage, claims administration and risk management services. Permits reimbursement by the retirement system for claims paid as specified and provides for credit to the retirement system for and money recovered from a third party through subrogation as specified.

SECTION 17. Amends Section 9, Article 3.50-7, Insurance Code, by adding Subsection (f), to provide that a premium or contribution on a policy, insurance contract, or agreement authorized by this article is not subject to any state tax, regulatory fee, or surcharge, including a premium or maintenance tax or fee.

SECTION 18. Amends Subsections (d) through (h), Section 3, Article 3.50-8, Insurance Code, as follows:

(d) Deletes the existing text of Subsections (d) and (e), regarding an election under this section and a model and form relating to the election. Redesignates the text of Subsection (f) as (d). Removes the requirement that the explanation of the options an employee may elect under this section be based on the model explanation prepared by the trustee under Subsection (e) of this section.

(e) Deletes the existing text of Subsection (g) and redesignates the text of Subsection (h) as (e).

SECTION 19. Amends Article 6228a-5, V.T.C.S., as follows:

(a) Created from existing text. Prohibits an educational institution from accepting any benefit from a company or from an agent or affiliate of a company that offers qualified investment products under this Act, other than benefits in the form of a meal or entertainment valued at \$50 or less per employee receiving the meal or entertainment, or marketing material, such as pens, bags, or hats valued at \$10 or less per employee receiving the material.

(b) Provides that this section does not prohibit a company from offering a qualified investment product under this Act, under Chapter 609 (Deferred Compensation Plans), Government Code, or under another retirement plan, subject to Section 14 of this Act.

SECTION 20: Amends 6228a-5 V.T.C.S. by adding (F)(xii) stating the current renewal interest rate, if any and the current interest rate, if any, on deposits made before the current year.

SECTION 21. Amends Article 6228a-5, V.T.C.S., by adding Section 13, as follows:

Sec. 13. Provides that an entity is not eligible to certify to TRS under Section 5 of this Act if the entity is a reinsurance company, third-party administrator, or an entity performing duties under a contract for administrative services only; or a broker, dealer, or licensed or registered agent; and the entity does not have primary liability for performance of the obligations in the investment product contract that the entity offers.

SECTION 22. (a) Repealer: Section 825.003 (Trustees Appointed by Governor From Nominees of Board of Education), Government Code.

(b) Repealers: Sections 825.512(a), (b), (c), and (d) (relating to an evaluation of TRS investment practices and performance), Government Code.

SECTION 23. (a) Requires the governor, on September 1, 2003, to appoint the member of the board of trustees of TRS described by Section 825.002(h), Government Code, as added by this Act.

(b) Requires the governor, on September 1, 2007, to appoint the member of the board of trustees of TRS described by Section 825.002(i), Government Code, as added by this Act.

(c) Entitles a member of the board of trustees of TRS appointed under Section 825.003, Government Code, as that section existed before its repeal by this Act, to serve the remainder of the trustee's unexpired term.

(d) Requires a vacancy in the office of a trustee appointed under Section 825.003, Government Code, as that section existed before its repeal by this Act, to be filled in the manner provided by Section 825.002(i), Government Code, as added by this Act.

SECTION 24. Provides that an employee of a home-rule school district that operates under a charter under Subchapter B, Chapter 12, Education Code, may not receive service credit in TRS for services performed for the home-rule school district after August 31, 2003.

SECTION 25. Provides that to the extent of any conflict, this Act prevails over another Act of the 78th Legislature, Regular Session, 2003, relating to nonsubstantive additions to and corrections in enacted codes.

SECTION 26. Effective date

EFFECTIVE DATE

September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute bill removes Senate amendments. SECTION 5, Subsection (3) is removed and moved to another section of the bill. SECTION 7 of the original bill is deleted. SECTION 13 has technical changes to conform with TRS procedure. SECTION 18 of the original bill is deleted and changed to a repealer clause. SECTIONS 19 & 21 of the original bill are deleted. SECTION 23 (8)(b) of the original bill is deleted. Conforming numbering changes to sections have been made.

