

BILL ANALYSIS

Senate Research Center

H.B. 1579
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State Affairs
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Engrossed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Current Texas law authorizes a school district to rehire retirees under certain circumstances, but does not require the district to make contributions to the Teacher Retirement System of Texas (retirement system) pension fund or health care program for those employees.

Although the retirement system has generated solid investment returns, the fund has approximately \$11 billion less than required to pay current and future benefits to retirees. At the same time, the number of retirees are increasing and the average age of a retiree is decreasing. A continued shortfall could limit or stall increases in benefits to retirees in the system, or worse, affect the solvency of the fund. Along with the possibility of increasing the state contribution to the retirement system, an additional solution is to ensure that employers who chose to rehire a retiree are contributing the difference that otherwise would be lost to the retirement system and the Texas Public School Employees Group Benefits Program (TRS-Care).

H.B. 1579, clarifies that a retiree who wishes to be rehired as a bus driver may do so if the retiree's primary employment is as a bus driver. Also, the contributions for a "retire-rehire" are not required to be paid by an employer for a retiree who was reported by that employer under the system rules in effect for the report month of January 2005. However, beyond this "grandfathering" provision, the bill requires that employers pay the combined contribution rate for employees and the state for any retired employee that works after the effective date of the Act. H.B. 1579 also requires employers to pay the difference between the amount a retiree enrolled in TRS-Care is required to pay for the retiree and any enrolled dependents to participate in TRS-Care and the actual cost of such participation for any retiree that returns to work after the effective date of H.B. 1579. The bill further requires employers to submit reports about their employed retirees to TRS.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 824.602(a), Government Code, as follows:

(a) Prohibits the Teacher Retirement System of Texas (retirement system), under Section 824.601 (Loss of Monthly Benefits), subject to Section 825.506 (Plan Qualification), from withholding a monthly benefit payment if the retiree is employed in a Texas public educational institution as a bus driver for a school district on as much as a full-time basis, if the retiree has retired under Section 824.202(a) (Eligibility for Service Requirement), and the retiree's primary employment is as a bus driver.

SECTION 2. Amends Subchapter G, Chapter 824, Government Code, by adding Section 824.6022, as follows:

Sec. 824.6022. REQUIRED REPORTS; OFFENSE. (a) Requires an employer to file a monthly certified statement of employment of a retiree in the form and manner required by the retirement system.

(b) Provides that a person commits an offense if the person is an administrator of an employer, is responsible for filing a statement under Subsection (a), and knowingly fails to file the statement as required.

SECTION 3. Amends Section 825.308, Government Code, to require the retirement system to deposit employer contributions required under Section 825.4092 in the state contribution account.

SECTION 4. Amends Subchapter E, Chapter 825, Government Code, by adding Section 825.4092, as follows:

Sec. 825.4092. EMPLOYER CONTRIBUTIONS FOR EMPLOYED RETIREES. (a) Provides that this section applies to an employer who reports the employment of a retiree to the retirement system.

(b) Requires the employer, except as provided by Subsection (e), during each payroll period for which a retiree is reported, to contribute a specific amount based on the retiree's salary to the retirement system.

(c) Requires the employer to contribute the difference between the employee's required contribution and the full cost of participation in the Texas Public School Employees Group Benefits Program (group program), except as provided by Subsection (e). Requires the amount of the required payment to be prorated among the employers if more than one employer reports the retiree to the retirement system during a month.

(d) Provides that contributions under this section are subject to the requirements of Section 825.408 (Interest on Contributions and Fees; Deposits in Trust).

(e) Provides that the amounts required to be paid under Subsections (b) and (c) are not required to be paid by a reporting employer for a retiree who was reported by that employer under retirement system rules in effect for the report month of January 2005.

(f) Provides that this section does not prevent an employer and a retiree from negotiating and entering into a contract that allows both parties to contribute to the amounts the employer is required to contribute to the retirement system under Subsections (b) and (c).

SECTION 5. Amends Section 1575.204, Insurance Code, to require the employment of a retiree enrolled in the group program to contribute a specific amount as determined by the trustee to the retired school employees group insurance fund each state fiscal year.

SECTION 6. Makes application of Section 824.602, Government Code, as added by this Act, prospective.

SECTION 7. Effective date: September 1, 2005.