

BILL ANALYSIS

C.S.H.B. 1579
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Pensions & Investments
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Although the Teacher Retirement System of Texas (TRS) 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 is 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 TRS, 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).

Under CSHB 1579, the law is clarified to state that retirees who wish 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 (currently 12.4%) for any retired employee that works after the effective date of the Act. It 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 CSHB 1579. The bill further requires employers to submit reports about their employed retirees to TRS.

RULEMAKING AUTHORITY

It is the opinion of the committee that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1. Section 824.602(a), Government Code, is amended to add that subject to Section 825.506, the retirement system may not under Section 824.601, withhold a monthly benefit payment if the retiree is employed in a Texas public education institution as a bus driver for a school district, if the retiree has retired under Section 824.202(a) and that the bus driving position is their primary employment.

SECTION 2. Subchapter G, Chapter 824, Government Code, is amended by adding section 824.6022 which states that an employer who has an employee who is a retiree must file a monthly certified statement in the form required by the retirement system. It also states that a person commits an offense if they are an administrator of an employer and is responsible for filing a statement, and fails to do so as required.

SECTION 3. Section 825.308, Government Code, is amended by stating the retirement system is required to deposit the employer contributions required under Section 825.4092 of this Act..

SECTION 4. Subchapter E, Chapter 825, Government Code, is amended by adding Section 825.4092, which applies to an employer who reports to the retirement system the employment of the retiree. This section provides that except as provided by Subsection (e), that each payroll period when a retiree is reported, the employer must contribute to the system for each reported

retiree an amount on the retiree's salary equal to the sum of the current contribution that the retiree, if they were active, would contribute and the current contribution authorized by the General Appropriations Act that the state would contribute for that retiree if they were active. This Subchapter also provides that except for Subsection (e), each payroll period, for each retiree under the Texas Public School Employees Group Benefits Program under Chapter 1575, Insurance Code, the employer that reports the employment of a retiree must contribute to the trust fund created under that chapter, any difference between the amount the retiree is required to pay for themselves and any enrolled dependents and the full cost of participation in the group program. If more than one employer reports the retiree to the system during a month, then the amount of the required payment must be prorated among the employers. This also provides that contributions under this section are subject to the requirements of Section 825.408. This also states that the amounts required to be paid under Subsections (b) and (c) 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.

SECTION 5. Section 1575.204, Insurance Code, is amended to state that each fiscal year and employer who reports to the retirement system under Section 824.6022, Government Code, the employment of a retiree who is enrolled in the group program must contribute the difference between the contribution amount that the reported retiree is required to pay for themselves and any enrolled dependents to participate in the group program and the full cost of the retiree's and dependents' participation in the group program, as determined by the trustee.

SECTION 6. Section 824.602, Government Code, as amended by this Act, applies only to a person who retires from the Teacher Retirement System of Texas on or after the effective date of this Act. A person who retires from the Teacher Retirement System of Texas before the effective date of this Act is governed by the law that existed immediately before the effective date of this Act and that law is continued in effect for that purpose. The changes in law made by this Act that affect employer contributions apply to any retiree of the Teacher Retirement System of Texas employed by an employer as defined by Section 821.001 during any month after the effective date.

SECTION 7. This Act takes effect September 1, 2005.

EFFECTIVE DATE

September 1, 2005

COMPARISON OF ORIGINAL TO SUBSTITUTE

Eliminates the new restrictions of the filed bill regarding retirees returning to work, thus reverts to current law; however, with the exception of bus drivers, which is amended to specify that their work as bus drivers must be their primary employment with the school district. Also strikes the initial language that kept local employers from deducting amounts that the employer must pay under the bill from the compensation of the employed retiree. Also exempts the payments due under this bill from local employers for those retired employees that worked for that employer in January of 2005, which is often referred to as a "grandfathering" of employees. Also includes minor cleanup of language in Section 4, Subsection (b) to clarify the language regarding the contribution rate. Also includes in Section 4, (a),(b), (c) and Section 5 to clarify that this applies to employers who report the employment of a retiree.