

BILL ANALYSIS

C.S.H.B. 3169
By: Crownover
Pensions & Investments
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, participants in the Teacher Retirement System of Texas (TRS) have the ability to buy back up to three years of service credit if the member has at least seven years of actual membership service. The member purchases each year credit at the actuarial present value of the additional standard retirement annuity benefits that would be attributable to the purchase of the service credit. The system then deposits that amount into the member's individual account in the employees savings account.

This option is presently costing the health insurance plans within TRS a great deal of money, and will continue to cost the state more money as the average age of retirement decreases. The average retirement age used to be sixty-one, but has gradually fallen to 59.4 in 2004. For retirees under the age of sixty-five, their average health care costs, net of their premiums, is about \$5000 per year. Thus, every year early a member retires, their health care bills cost the System a net of \$5000.

Although the cost of purchasing this "air time" varies with salary, age and years of experience, the System is losing money with each service credit purchase. Today, the \$91 billion Teacher Retirement System has \$11 billion less than it needs to cover promised benefits. Members of TRS who are fortunate enough to have the money in their personal bank accounts to purchase these years of service credit are merely double-dipping into the same retirement pot.

C.S.H.B. 3169 seeks to eliminate the option of buying back years of service so as to alleviate escalating costs to the Teacher Retirement System.

RULEMAKING AUTHORITY

It is the committee's opinion that C.S.H.B. 3169 does not grant any rulemaking authority to any state officer, department, institution or agency

ANALYSIS

SECTION 1. Strikes the requirement that the system shall deposit in a member's individual account in the members savings account the portion of a deposit to establish equivalent membership service credit required by Section 823.405 and 823.3021(f)(1).

SECTION 2. Repeals Section 823.405 of the Texas Government Code.

SECTION 3. Provides that except as provided by this Act, this Act only applies to members who retire on or after the effective date of this bill.

SECTION 4. Effective Date.

EFFECTIVE DATE

This act takes effect on September 1, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute alters the caption to read "relating to purchase of equivalent membership service credit in Teacher Retirement System of Texas."

C.S.H.B. 3169 79(R)

The substitute is an official Legislative Council draft of the Government Code section encompassing the repealed Section 823.405, including additional language regarding deposits in the member savings account.

The substitute repeals Section 823.405 and 823.3021(f)(1) within Section 825.307(a), Government Code.

The substitute designates that the Act applies only to members of TRS who retire after the effective date of the Act.

The substitute grandfathers those members of TRS who, on or before September 1, 2005, would be eligible to retire by establishing membership service credit with Section 823.405, as it exists before its repeal.