

1-1 By: Kolkhorst, et al. (Senate Sponsor - Duncan) H.B. No. 1579  
1-2 (In the Senate - Received from the House May 4, 2005;  
1-3 May 5, 2005, read first time and referred to Committee on State  
1-4 Affairs; May 21, 2005, reported adversely, with favorable  
1-5 Committee Substitute by the following vote: Yeas 7, Nays 0;  
1-6 May 21, 2005, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR H.B. No. 1579 By: Duncan

1-8 A BILL TO BE ENTITLED  
1-9 AN ACT

1-10 relating to certain retired school employees and the powers and  
1-11 duties of the Teacher Retirement System of Texas.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Subchapter A, Chapter 22, Education Code, is  
1-14 amended by adding Section 22.007 to read as follows:

1-15 Sec. 22.007. INCENTIVES FOR EARLY RETIREMENT. A district  
1-16 may not offer or provide a financial or other incentive to an  
1-17 employee of the district to encourage the employee to retire from  
1-18 the Teacher Retirement System of Texas.

1-19 SECTION 2. Sections 823.401(d) and (e), Government Code,  
1-20 are amended to read as follows:

1-21 (d) A member may establish credit under this section by  
1-22 depositing with the retirement system for each year of service  
1-23 credit the actuarial present value, at the time of deposit, of the  
1-24 additional standard retirement annuity benefits that would be  
1-25 attributable to the purchase of the service credit under this  
1-26 section, based on rates and tables recommended by the retirement  
1-27 system's actuary and adopted by the board of trustees [claimed a  
1-28 contribution computed at the rate of:

1-29 ~~[(1) 12 percent of the full-time rate of the member's~~  
1-30 ~~annual compensation, plus any additional eligible compensation~~  
1-31 ~~received, during the first year of service for which the member~~  
1-32 ~~received membership credit in the retirement system that is both~~  
1-33 ~~after the service for which credit is sought and after September 1,~~  
1-34 ~~1956; or~~

1-35 ~~[(2) 12 percent of the full-time rate of the member's~~  
1-36 ~~annual compensation, plus any additional eligible compensation~~  
1-37 ~~received, during the most recent year of service for which the~~  
1-38 ~~member received membership credit that is after the service for~~  
1-39 ~~which credit is sought, if the member has performed no service in~~  
1-40 ~~Texas since September 1, 1956].~~

1-41 (e) ~~[In addition to the contribution required by Subsection~~  
1-42 ~~(d), a member claiming credit under this section must pay a fee of~~  
1-43 ~~eight percent, compounded annually, of the required contribution~~  
1-44 ~~from the date of first eligibility to the date of deposit.] A~~  
1-45 ~~deposit for at least one year of credit[, including the fee,] must~~  
1-46 ~~be made with an initial application for credit, and all payments for~~  
1-47 ~~service claimed under this section must be made before retirement.~~

1-48 SECTION 3. Sections 824.202(a), (b), and (d), Government  
1-49 Code, are amended to read as follows:

1-50 (a) A member is eligible to retire and receive a standard  
1-51 service retirement annuity if:

1-52 (1) the member is at least 65 years old and has at  
1-53 least five years of service credit in the retirement system; or

1-54 (2) the member is at least 60 years old and has at  
1-55 least five ~~[20]~~ years of service credit in the retirement system and  
1-56 ~~[+~~

1-57 ~~[(3) the member is at least 50 years old and has at~~  
1-58 ~~least 30 years of service credit in the retirement system; or~~

1-59 ~~[(4)] the sum of the member's age and amount of service~~  
1-60 ~~credit in the retirement system equals the number 80.~~

1-61 (b) If a member is at least 55 years old and has at least  
1-62 five years of service credit in the retirement system, but does not  
1-63 meet the requirements under Subsection (d), the member is eligible

2-1 to retire and receive a service retirement annuity reduced from the  
2-2 standard service retirement annuity available under Subsection  
2-3 (a)(1), to a percentage derived from the following table:

<del>[Years of Service</del>	<del>Age at Date of Retirement]</del>											
<del>Age at</del>	55	56	57	58	59	60	61	62	63	64	65	
<del>date of</del>												
<del>retirement</del>												
<del>Percentage</del>	47%	51%	55%	59%	63%	67%	73%	80%	87%	93%	100%	
<del>of</del>												
<del>standard</del>												
<del>annuity</del>												
<del>receivable</del>												
<del>[at least 5</del>												
<del>but less</del>												
<del>than 20]</del>												

2-16 (d) If the sum of a member's age and amount of service credit  
2-17 in the retirement system equals the number 80, with at least five  
2-18 years of service credit, or if the [a] member has at least 30 years  
2-19 of service credit in the retirement system, the member is eligible  
2-20 to retire regardless of age and receive a service retirement  
2-21 annuity, reduced from [consisting of a percentage of] the standard  
2-22 service retirement annuity available under Subsection (a)(2)  
2-23 [a(3)], to a percentage derived from the following table:

<del>Age at</del>	50	51	52	53	54	55	56	57	58	59	60	
<del>date of</del>												
<del>retirement</del>												
<del>Percentage</del>	70%	73%	76%	79%	82%	85%	88%	91%	94%	97%	100%	
<del>of</del>												
<del>standard</del>												
<del>annuity</del>												
<del>receivable</del>												

2-32 For each year of age under 50 years with 30 years of service  
2-33 credit, the standard service retirement annuity shall be three  
2-34 percent less than the percentage for age 50 with 30 years of service  
2-35 credit [in Subsection (c). The board of trustees shall extend the  
2-36 table in Subsection (c) to ages earlier than 50 years by decreasing  
2-37 the percentages by two percent for each year of age under 50 years].

2-38 SECTION 4. Section 824.203(a), Government Code, is amended  
2-39 to read as follows:

2-40 (a) Except as provided by Subsections (c) and ~~[7]~~ (d), ~~[and~~  
2-41 ~~(e),]~~ the standard service retirement annuity is an amount computed  
2-42 on the basis of the member's average annual compensation for the  
2-43 five [three] years of service, whether or not consecutive, in which  
2-44 the member received the highest annual compensation, times 2.3  
2-45 percent for each year of service credit in the retirement system.

2-46 SECTION 5. Sections 824.2045(a), (b), (c), and (d),  
2-47 Government Code, are amended to read as follows:

2-48 (a) A member ~~[who is eligible for an unreduced service~~  
2-49 ~~retirement annuity and is not participating in the deferred~~  
2-50 ~~retirement option plan under Subchapter I]~~ may select a standard  
2-51 service retirement annuity or an optional service retirement  
2-52 annuity described by Section 824.204, reduced for early age as  
2-53 applicable under Section 824.202, together with a partial lump-sum  
2-54 distribution, if:

- 2-55 (1) the member is eligible for a service retirement
- 2-56 annuity;
- 2-57 (2) the sum of the member's age and amount of service
- 2-58 credit in the retirement system equals the number 90; and
- 2-59 (3) the member is not participating in the deferred
- 2-60 retirement option plan under Subchapter I.

2-61 (b) The amount of the lump-sum distribution under this  
2-62 section may not exceed the sum of 36 months of a standard service  
2-63 retirement annuity reduced for early age as applicable under  
2-64 Section 824.202 computed without regard to this section.

2-65 (c) The service retirement annuity selected by the member  
2-66 shall be actuarially reduced to reflect the lump-sum option  
2-67 selected by the member and shall be actuarially equivalent to a  
2-68 standard or optional service retirement annuity, as applicable,

3-1 reduced for early age as applicable under Section 824.202, without  
3-2 the partial lump-sum distribution. The annuity and lump sum shall  
3-3 be computed to result in no actuarial loss to the retirement system.

3-4 (d) The retiring member may choose a lump sum equal to 12  
3-5 months of a standard service retirement annuity and payable at the  
3-6 same time that the first monthly payment of the annuity is paid, a  
3-7 lump sum equal to 24 months of a standard annuity and payable in one  
3-8 or two annual payments, or a lump sum equal to 36 months of a  
3-9 standard annuity and payable in one, two, or three annual payments.  
3-10 At the option of the member, a payment under this subsection may be  
3-11 made as provided by Section 825.509. The amount of the lump sum  
3-12 shall be computed based on a standard service retirement annuity  
3-13 reduced for early age as applicable under Section 824.202.

3-14 SECTION 6. Section 824.405, Government Code, is amended to  
3-15 read as follows:

3-16 Sec. 824.405. TABLES FOR DETERMINATION OF DEATH BENEFIT  
3-17 ANNUITY. For the purpose of computing a death benefit annuity under  
3-18 Section 824.402(a)(4) or 824.403, the board of trustees shall  
3-19 extend the tables:

3-20 (1) in Section 824.202(b) to ages earlier than 55  
3-21 years by actuarially reducing the benefit available at the age of 55  
3-22 years to the actuarial equivalent at the attained age of the  
3-23 beneficiary; and

3-24 (2) in Section 824.202(d) [~~824.202(e)~~] to ages earlier  
3-25 than the earliest retirement age by actuarially reducing the  
3-26 benefit available at the earliest retirement age to the actuarial  
3-27 equivalent at the attained age of the beneficiary.

3-28 SECTION 7. Section 824.602(a), Government Code, is amended  
3-29 to read as follows:

3-30 (a) Subject to Section 825.506, the retirement system may  
3-31 not, under Section 824.601, withhold a monthly benefit payment if  
3-32 the retiree is employed in a Texas public educational institution:

3-33 (1) as a substitute only with pay not more than the  
3-34 daily rate of substitute pay established by the employer and, if the  
3-35 retiree is a disability retiree, the employment has not exceeded a  
3-36 total of 90 days in the school year;

3-37 (2) in a position, other than as a substitute, on no  
3-38 more than a one-half time basis for the month;

3-39 (3) in one or more positions on as much as a full-time  
3-40 basis, if the work occurs in not more than six months of a school  
3-41 year that begins after the retiree's effective date of retirement;

3-42 (4) in a position, other than as a substitute, on no  
3-43 more than a one-half time basis for no more than 90 days in the  
3-44 school year, if the retiree is a disability retiree;

3-45 (5) in a position as a classroom teacher on as much as  
3-46 a full-time basis, if the retiree has retired under Section  
3-47 824.202(a), is certified under Subchapter B, Chapter 21, Education  
3-48 Code, to teach the subjects assigned, is teaching in an acute  
3-49 shortage area as determined by the board of trustees of a school  
3-50 district as provided by Subsection (m), and has been separated from  
3-51 service with all public schools for at least 12 months;

3-52 (6) in a position as a principal, including as an  
3-53 assistant principal, on as much as a full-time basis, if the retiree  
3-54 has retired under Section 824.202(a) without reduction for  
3-55 retirement at an early age, is certified under Subchapter B,  
3-56 Chapter 21, Education Code, to serve as a principal, and has been  
3-57 separated from service with all public schools for at least 12  
3-58 months; or

3-59 (7) as a bus driver for a school district on as much as  
3-60 a full-time basis, if the retiree has retired under Section  
3-61 824.202(a) and the retiree's primary employment is as a bus driver.

3-62 SECTION 8. Subchapter G, Chapter 824, Government Code, is  
3-63 amended by adding Section 824.6022 to read as follows:

3-64 Sec. 824.6022. REQUIRED REPORTS; OFFENSE. (a) An employer  
3-65 shall file a monthly certified statement of employment of a retiree  
3-66 in the form and manner required by the retirement system.

3-67 (b) A person commits an offense if the person is an  
3-68 administrator of an employer, is responsible for filing a statement  
3-69 under Subsection (a), and knowingly fails to file the statement as

4-1 required.

4-2 SECTION 9. Section 825.307(a), Government Code, is amended  
4-3 to read as follows:

4-4 (a) The retirement system shall deposit in a member's  
4-5 individual account in the member savings account:

4-6 (1) the amount of contributions to the retirement  
4-7 system that is deducted from the member's compensation;

4-8 (2) the portion of a deposit made on or after  
4-9 resumption of membership that represents the amount of retirement  
4-10 benefits received;

4-11 (3) the portion of a deposit to reinstate service  
4-12 credit previously canceled that represents the amount withdrawn or  
4-13 refunded;

4-14 (4) the portion of a deposit to establish military  
4-15 service credit required by Section 823.302(c);

4-16 (5) the portion of a deposit to establish equivalent  
4-17 membership service credit required by Section 823.401(d),  
4-18 823.402(e)(1) or (e)(2), or 823.404(c) [~~, 823.405, or~~  
4-19 ~~823.3021(f)(1)~~]; and

4-20 (6) interest earned on money in the account as  
4-21 provided by Subsections (b) and (c) and Section 825.313(c).

4-22 SECTION 10. Section 825.308, Government Code, is amended to  
4-23 read as follows:

4-24 Sec. 825.308. STATE CONTRIBUTION ACCOUNT. The retirement  
4-25 system shall deposit in the state contribution account:

4-26 (1) all state contributions to the retirement system  
4-27 required by Section 825.404;

4-28 (2) amounts from the interest account as provided by  
4-29 Section 825.313(b)(2);

4-30 (3) retirement annuities waived or forfeited in  
4-31 accordance with Section 824.601 or 824.004;

4-32 (4) fees collected under Section 825.403(h);

4-33 (5) fees and interest for reinstatement of service  
4-34 credit or establishment of membership service credit as provided by  
4-35 Section 823.501;

4-36 (6) the portion of a deposit required by Section  
4-37 823.302 to establish military service credit that represents a fee;  
4-38 and

4-39 (7) employer contributions required under Section  
4-40 825.4092 [~~the portion of a deposit required by Section 823.401(e)~~  
4-41 ~~to establish out-of-state service credit that represents a fee~~].

4-42 SECTION 11. Section 825.404(a), Government Code, is amended  
4-43 to read as follows:

4-44 (a) During each fiscal year, the state shall contribute to  
4-45 the retirement system an amount equal to not less than six percent  
4-46 and not more than 10 [~~eight~~] percent of the aggregate annual  
4-47 compensation of all members of the retirement system during that  
4-48 fiscal year.

4-49 SECTION 12. Subchapter E, Chapter 825, Government Code, is  
4-50 amended by adding Section 825.4041 to read as follows:

4-51 Sec. 825.4041. EMPLOYER PAYMENTS. (a) For purposes of  
4-52 this section, a new member is a person first employed on or after  
4-53 September 1, 2005, including a former member who withdrew  
4-54 retirement contributions under Section 822.003 and is reemployed on  
4-55 or after September 1, 2005.

4-56 (b) During each fiscal year, an employer shall pay an amount  
4-57 equal to the state contribution rate, as established by the General  
4-58 Appropriations Act for the fiscal year, applied to the aggregate  
4-59 compensation of new members of the retirement system, as described  
4-60 by Subsection (a), during their first 90 days of employment.

4-61 (c) On a monthly basis an employer shall:

4-62 (1) report to the retirement system, in a form  
4-63 prescribed by the system, a certification of the total amount of  
4-64 salary paid during the first 90 days of employment of a new member  
4-65 and the total amount of employer payments due under this section for  
4-66 the payroll periods; and

4-67 (2) retain information, as determined by the  
4-68 retirement system, sufficient to allow administration of this  
4-69 section, including information for each employee showing the

5-1 applicable salary as well as aggregate compensation for the first  
 5-2 90 days of employment for new employees.

5-3 (d) A person who was hired before September 1, 2005, and was  
 5-4 subject to a 90-day waiting period for membership in the retirement  
 5-5 system becomes eligible to participate in the retirement system as  
 5-6 a member starting September 1, 2005. For the purpose of this  
 5-7 section, the member shall be treated as a new member for the  
 5-8 remainder of the waiting period.

5-9 (e) The employer must remit the amount required under this  
 5-10 section to the retirement system at the same time the employer  
 5-11 remits the member's contribution. In computing the amount required  
 5-12 to be remitted, the employer shall include compensation paid to an  
 5-13 employee for the entire pay period that contains the 90th calendar  
 5-14 day of new employment.

5-15 (f) At the end of each school year, the retirement system  
 5-16 shall certify to the commissioner of education and to the state  
 5-17 auditor:

5-18 (1) the name of each employer that has failed to remit,  
 5-19 within the period required by Section 825.408, all payments  
 5-20 required under this section for the school year; and

5-21 (2) the amounts of the unpaid required payments.

5-22 (g) If the commissioner of education or the state auditor  
 5-23 receives a certification under Subsection (f), the commissioner or  
 5-24 the state auditor shall direct the comptroller to withhold the  
 5-25 amount certified, plus interest computed at the rate and in the  
 5-26 manner provided by Section 825.408, from the first state money  
 5-27 payable to the employer. The amount withheld shall be deposited to  
 5-28 the credit of the appropriate accounts of the retirement system.

5-29 (h) The board of trustees shall take this section into  
 5-30 consideration in adopting the biennial estimate of the amount  
 5-31 necessary to pay the state's contributions to the system.

5-32 (i) During the period for which an employer must make a  
 5-33 payment under Subsection (b), the employee:

5-34 (1) is not eligible to receive compensation  
 5-35 supplementation under Chapter 1580, Insurance Code; and

5-36 (2) is not included for purposes of computing the  
 5-37 amount of state assistance under Section 1579.251, Insurance Code.

5-38 SECTION 13. Subchapter E, Chapter 825, Government Code, is  
 5-39 amended by adding Section 825.4092 to read as follows:

5-40 Sec. 825.4092. EMPLOYER CONTRIBUTIONS FOR EMPLOYED  
 5-41 RETIREEES. (a) This section applies to an employer who reports to  
 5-42 the retirement system the employment of a retiree.

5-43 (b) Except as provided by Subsection (e), during each  
 5-44 payroll period for which a retiree is reported, the employer shall  
 5-45 contribute to the retirement system for each retiree reported an  
 5-46 amount based on the retiree's salary equal to the sum of:

5-47 (1) the current contribution amount that would be  
 5-48 contributed by the retiree if the retiree were an active,  
 5-49 contributing member; and

5-50 (2) the current contribution amount authorized by the  
 5-51 General Appropriations Act that the state would contribute for that  
 5-52 retiree if the retiree were an active, contributing member.

5-53 (c) Except as provided by Subsection (e), each payroll  
 5-54 period, for each retiree who is enrolled in the Texas Public School  
 5-55 Employees Group Benefits Program under Chapter 1575, Insurance  
 5-56 Code, the employer who reports the employment of a retiree shall  
 5-57 contribute to the trust fund established under that chapter any  
 5-58 difference between the amount the retiree is required to pay for the  
 5-59 retiree and any enrolled dependents to participate in the group  
 5-60 program and the full cost of the retiree's and enrolled dependents'  
 5-61 participation in the group program, as determined by the retirement  
 5-62 system. If more than one employer reports the retiree to the  
 5-63 retirement system during a month, the amount of the required  
 5-64 payment shall be prorated among the employers.

5-65 (d) Contributions under this section are subject to the  
 5-66 requirements of Section 825.408.

5-67 (e) The amounts required to be paid under Subsections (b)  
 5-68 and (c) are not required to be paid by a reporting employer for a  
 5-69 retiree who was reported by that employer under retirement system

6-1 rules in effect for the report month of January 2005.

6-2 SECTION 14. Section 1575.203(a), Insurance Code, is amended  
6-3 to read as follows:

6-4 (a) Each state fiscal year, each active employee shall, as a  
6-5 condition of employment, contribute to the fund an amount equal to  
6-6 0.65 [~~0.5~~] percent of the employee's salary.

6-7 SECTION 15. Section 1575.204, Insurance Code, is amended to  
6-8 read as follows:

6-9 Sec. 1575.204. PUBLIC SCHOOL CONTRIBUTION. (a) Each state  
6-10 fiscal year, each public school shall contribute to the fund the  
6-11 amount prescribed by the General Appropriations Act, which may not  
6-12 be less than 0.25 percent or greater than 0.75 percent of the salary  
6-13 of each active employee of the public school. The public school  
6-14 shall make the contributions on a monthly basis and as otherwise  
6-15 prescribed by the trustee.

6-16 (b) Each state fiscal year, each employer who reports to the  
6-17 retirement system under Section 824.6022, Government Code, the  
6-18 employment of a retiree who is enrolled in the group program shall  
6-19 contribute to the fund the difference, if any, between the  
6-20 contribution amount that the reported retiree is required to pay  
6-21 for the retiree and any enrolled dependents to participate in the  
6-22 group program and the full cost of the retiree's and enrolled  
6-23 dependents' participation in the group program, as determined by  
6-24 the trustee. The amounts required to be paid under this subsection  
6-25 are not required to be paid by a reporting employer for a retiree  
6-26 who was reported by that employer under retirement system rules in  
6-27 effect for the report month of January 2005.

6-28 SECTION 16. (a) Section 824.202(c), Government Code, is  
6-29 repealed.

6-30 (b) Section 823.405, Government Code, is repealed.

6-31 SECTION 17. (a) The Teacher Retirement System of Texas  
6-32 shall make a one-time supplemental payment of a retirement or death  
6-33 benefit, as provided by this section.

6-34 (b) The supplemental payment is payable in January 2006 and,  
6-35 to the extent practicable, on a date or dates that coincide with the  
6-36 regular annuity payment payable to each eligible annuitant.

6-37 (c) The amount of the supplemental payment is equal to the  
6-38 gross amount of the regular annuity payment to which the eligible  
6-39 annuitant is otherwise entitled for the month of December 2005 and  
6-40 is payable in January 2006, without regard to any forfeiture of  
6-41 benefits under Section 824.602, Government Code. The Teacher  
6-42 Retirement System of Texas shall make applicable tax withholding  
6-43 and other legally required deductions before disbursing the  
6-44 supplemental payment. The supplemental payment under this section  
6-45 is in addition to and not in lieu of the regular monthly annuity  
6-46 payment to which the eligible annuitant is otherwise entitled.

6-47 (d) Subject to Subsection (e) of this section, to be  
6-48 eligible for the supplemental payment, a person must be, for the  
6-49 month of December 2005, and disregarding any forfeiture of monthly  
6-50 benefits under Section 824.602, Government Code, an annuitant  
6-51 eligible to receive:

6-52 (1) a standard retirement annuity payment;

6-53 (2) an optional retirement annuity payment as either a  
6-54 retiree or beneficiary;

6-55 (3) a life annuity payment under Section  
6-56 824.402(a)(4), Government Code;

6-57 (4) an annuity for a guaranteed period of 60 months  
6-58 under Section 824.402(a)(3), Government Code; or

6-59 (5) an alternate payee annuity payment under Section  
6-60 804.005, Government Code.

6-61 (e) If the annuitant is a retiree or a beneficiary under an  
6-62 optional retirement payment plan, to be eligible for the  
6-63 supplemental payment, the effective date of the retirement of the  
6-64 member of the Teacher Retirement System of Texas must have been  
6-65 before September 1, 2003. If the annuitant is a beneficiary under  
6-66 Section 824.402(a)(3) or (4), Government Code, to be eligible for  
6-67 the supplemental payment, the date of death of the member of the  
6-68 retirement system must have been before September 1, 2003. The  
6-69 supplemental payment shall be made to an alternate payee who is an

7-1 annuitant under Section 804.005, Government Code, only if the  
 7-2 annuity payments to the alternate payee commenced before September  
 7-3 1, 2003. The supplemental payment is in addition to the guaranteed  
 7-4 number of payments under Section 824.402(a)(3) or 824.204(c)(3) or  
 7-5 (4), Government Code, and may not be counted as one of the  
 7-6 guaranteed monthly payments.

7-7 (f) The supplemental payment does not apply to payments  
 7-8 under:

7-9 (1) Section 824.304(a), Government Code, relating to  
 7-10 disability retirees with less than 10 years of service credit;

7-11 (2) Section 824.804(b), Government Code, relating to  
 7-12 participants in the deferred retirement option plan with regard to  
 7-13 payments from their deferred retirement option plan accounts;

7-14 (3) Section 824.501(a), Government Code, relating to  
 7-15 retiree survivor beneficiaries receiving a survivor annuity in an  
 7-16 amount fixed by statute; or

7-17 (4) Section 824.404(a), Government Code, relating to  
 7-18 active member survivor beneficiaries receiving a survivor annuity  
 7-19 in an amount fixed by statute.

7-20 (g) Except as provided by this section, the board of  
 7-21 trustees of the Teacher Retirement System of Texas shall determine  
 7-22 the eligibility for and the amount and timing of a supplemental  
 7-23 payment and the manner in which the payment is made.

7-24 (h) The Teacher Retirement System of Texas shall pay the  
 7-25 supplemental payment made under this section from the retired  
 7-26 reserve account and may transfer to that account from the state  
 7-27 contribution account any portion of the amount that exceeds the  
 7-28 amount in the retired reserve account available to finance the  
 7-29 supplemental payment and that is actuarially determined to be  
 7-30 necessary to finance the supplemental payment. The supplemental  
 7-31 payment under this section must comply with Section 821.006,  
 7-32 Government Code.

7-33 SECTION 18. (a) Notwithstanding Sections 823.401(d) and  
 7-34 (e), Government Code, as amended by this Act, a member of the  
 7-35 Teacher Retirement System of Texas may establish out-of-state  
 7-36 service credit by making the contribution required under Section  
 7-37 823.401, Government Code, as it existed before amendment by this  
 7-38 Act, if the person was a member of the system on December 31, 2005,  
 7-39 and the out-of-state service was performed before January 1, 2006.

7-40 (b) The Teacher Retirement System of Texas shall deposit in  
 7-41 the state contribution account under Section 825.308, Government  
 7-42 Code, the portion of a deposit required under Section 823.401,  
 7-43 Government Code, as it existed before amendment by this Act, to  
 7-44 establish out-of-state service that represents a fee.

7-45 SECTION 19. (a) The changes in law made by this Act to  
 7-46 Sections 824.202, 824.203, and 824.2045, Government Code, apply  
 7-47 only to a person who retires under the Teacher Retirement System of  
 7-48 Texas on or after September 1, 2005, unless the person meets one of  
 7-49 the requirements of Subsection (b) of this section. A person who  
 7-50 retires under the Teacher Retirement System of Texas before  
 7-51 September 1, 2005, is governed by the law as it existed immediately  
 7-52 before that date, and that law is continued in effect for that  
 7-53 purpose.

7-54 (b) A person who retires under the Teacher Retirement System  
 7-55 of Texas on or after September 1, 2005, and who meets one or more of  
 7-56 the following requirements on or before August 31, 2005, is  
 7-57 governed by the law as it existed immediately before September 1,  
 7-58 2005, and that law is continued in effect for that purpose:

7-59 (1) the person has attained age 50;

7-60 (2) the sum of the person's age and amount of service  
 7-61 credit in the retirement system equals 70 or greater; or

7-62 (3) the person has at least 25 years of service credit  
 7-63 in the retirement system.

7-64 (c) Only service actually credited in the retirement system  
 7-65 on or before August 31, 2005, may be used to determine eligibility  
 7-66 under Subsections (b)(2) and (3) of this section. Service credit  
 7-67 that will be established only after completion of additional  
 7-68 payments under an installment agreement after August 31, 2005, may  
 7-69 not be considered to be actually credited for the purpose of

8-1 Subsections (b)(2) and (3) of this section.

8-2 SECTION 20. Section 824.602, Government Code, as amended by  
8-3 this Act, applies only to a person who retires from the Teacher  
8-4 Retirement System of Texas on or after the effective date of this  
8-5 Act. A person who retires from the Teacher Retirement System of  
8-6 Texas before the effective date of this Act is governed by the law  
8-7 as it existed immediately before the effective date of this Act, and  
8-8 that law is continued in effect for that purpose.

8-9 SECTION 21. The changes in law made by this Act by the  
8-10 addition of Section 825.4092, Government Code, and the amendment of  
8-11 Section 1575.204, Insurance Code, apply to a reporting entity that  
8-12 reports a retiree of the Teacher Retirement System of Texas during  
8-13 any month after the effective date of this Act.

8-14 SECTION 22. Unless the agreement is terminated before all  
8-15 payments are made, the change in law made by this Act does not apply  
8-16 to an agreement that existed immediately before January 1, 2006,  
8-17 between an individual and the Teacher Retirement System of Texas  
8-18 for the purchase in installments of service credit under Section  
8-19 823.405, Government Code.

8-20 SECTION 23. (a) Except as provided by Subsections (b) and  
8-21 (c) of this section, this Act takes effect September 1, 2005.

8-22 (b) The change in law made by this Act to Section  
8-23 825.307(a), Government Code, takes effect January 1, 2009.

8-24 (c) The repeal by this Act of Section 823.405, Government  
8-25 Code, takes effect January 1, 2006.

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