

BILL ANALYSIS

H.B. 2427
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Pensions & Investments
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The Teacher Retirement System of Texas (TRS) delivers retirement benefits to employees of public schools and state-supported colleges and universities, and manages assets held in trust to provide future benefits for members and their beneficiaries. Following voter passage of a constitutional amendment, the Legislature created the agency in 1937. To accomplish its mission, the Board of Trustees administers retirement benefits and health care insurance to about 1.2 million active and retired members, along with their beneficiaries; invests and manages the approximately \$100.2 billion Pension Trust Fund; and provides counseling services and pertinent information to its members.

TRS is not subject to abolishment under the Sunset Act, but the Sunset Commission identified areas that could be improved to more fairly provide counseling and retirement benefits to members, and protect investments made by public education employees in tax-advantaged 403(b) retirement products.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Board of Trustees of the Teacher Retirement System of Texas in SECTION 2, SECTION 3, SECTION 4, SECTION 18, SECTION 19, and SECTION 24 of this bill.

ANALYSIS

H.B. 2427 amends the Government Code and Chapter 22, Article 6628a-5 V.T.C.S. to incorporate the recommendations of the Sunset Commission.

Retirement Counseling Services

H.B. 2427 requires the Board of Trustees to adopt policies to address the provision of group and individual member retirement counseling throughout the state, and identify geographic regions most in need of counseling service. The bill also requires the Board of Trustees to make individual retirement counseling available in conjunction with group sessions.

Disability Retirement Benefits

H.B. 2427 establishes that the purpose of disability retirement benefits is to lessen financial hardships faced by members with disabilities. The bill requires the Board of Trustees to adopt rules providing for the reduction of disability retirement benefits for members whose incomes exceed compensation earned before retirement and for the reinstatement of benefits for members whose incomes no longer exceed previous compensation. The bill provides that disability retirees who receive reduced benefits may still participate in the group health insurance program by paying a premium to cover the cost of their participation. The bill also requires the Board of Trustees to create rules requiring disability retirees, who earn incomes in excess of limits set by TRS, to report their incomes to TRS.

Oversight of 403(b) Investment Products

To better protect individual retirement investments made by public education employees, H.B. 2427 grants TRS authority to oversee and register 403(b) investment products and to set reasonable fees. The bill provides that educational institutions may enter into salary reduction agreements with employees only for 403(b) investment products registered with TRS. The bill requires sellers of 403(b) investment products to disclose the registration status of the products to potential purchasers. The bill adds sale or offers of sale of unregistered 403(b) investment

H.B. 2427 80(R)

products to the Deceptive Trade Practices Act, and to the list of Class A misdemeanor offenses in the Civil Statutes. The bill requires TRS to maintain a list of qualified 403(b) investment products on its Web site. H.B. 2427 grants TRS enforcement authority over 403(b) investment products including authority to deny, suspend or revoke registration or levy an administrative fine not to exceed \$1,000. The bill also requires the Board of Trustees to adopt a schedule of penalties, in rule, based on the seriousness of violations. The bill provides that an appeal of a decision to suspend or revoke registrations or impose administrative penalties is a contested case under the Administrative Procedure Act. The bill establishes that changes made regarding the registration of 403(b) investment products and fees for registration apply only to offers made on or after January 1, 2008.

Public School Employees' Health Coverage Comparability Study

H.B. 2427 removes the statutory requirement for TRS to conduct the Public School Employees' Health Coverage Comparability Study.

Standard Sunset Across-The-Board Recommendations

H.B. 2427 adds standard Sunset across-the-board recommendations to the Board of Trustees regarding negotiated rulemaking and alternative dispute resolution policies; and the use of technology. The bill updates standard Sunset across-the-board recommendations to the Board of Trustees regarding conflicts of interest for Trustees; training for Trustees before assuming their duties; grounds for the removal of Trustees; and complaint records.

Sunset Review

H.B. 2427 specifies that the Sunset Commission shall review the Board of Trustees in 2019 and every 12th year afterwards.

EFFECTIVE DATE

September 1, 2007, except for provisions related to 403(b) investment products, which take effect January 1, 2008.