

BILL ANALYSIS

C.S.S.B. 1846
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Pensions & Investments
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Constitutional provisions of the Teacher Retirement System of Texas (TRS) include the establishment of a trust and a board of trustees to administer the system, a requirement that the trust's assets be held for the exclusive benefit of the members, and a requirement that financing of benefits be based on sound actuarial principles. One such principle is the funding period, or the necessary amortization period for assets to fund liabilities. According to the TRS outside consulting actuary, the system has had an "infinite" funding period, which has resulted in retirees being precluded from receiving any benefit enhancements until the fund can amortize liabilities within a 31-year period. Statutory change is necessary to provide TRS with the tools that may lead to better management of funding for the pension fund.

CSSB 1846 provides for a centralized structure for making both funding and benefits decisions, and prohibits the state's contribution rate from dropping below the contribution rate of active members.

RULEMAKING AUTHORITY

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

ANALYSIS

C.S.S.B. 1846 requires TRS to deposit in the state contribution account certain contributions collected by employers from federal or private sources, certain contributions collected by a general academic teaching institution or a medical and dental unit, and employer contributions required under Section 825.4092.

This bill provides that the rate of contributions to TRS for certain members is 6.58 percent of the member's annual compensation for service rendered after August 31, 1985

C.S.S.B. 1846 requires that the state contribution made under Section 825.404, Government Code, not be less than the amount contributed by members during that fiscal year in accordance with Section 825.402, Government Code.

This bill requires an employer, when the employer receives money for state contributions from an application made in accordance with Subsection (a), Section 825.406, Government Code, to immediately send the money to TRS for deposit in the state contribution account, rather than the general revenue fund of the state treasury.

This bill requires TRS to deposit all money it receives under Section 825.407, Government Code, in the state contribution account, rather than to the comptroller of public accounts for deposit in the general revenue fund.

C.S.S.B. 1846 states that the amounts required to be paid under Subsections (b) and (c), Section 825.4092, Government Code, are not required to be paid by a reporting employer for a retiree who retired from the retirement system before September 1, 2005.

This bill states that the amounts required to be paid under Section 1574.204, Insurance Code, are not required to be paid by a reporting employer for a retiree who retired from the retirement system before September 1, 2005.

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C.S.S.B. 1846 requires an employer who applies for money provided by certain entities to immediately send any money received for state contributions as a result of the application to the trustee for deposit in the retired school employees group insurance fund, rather than the general revenue fund.

This bill requires TRS to make a one-time supplemental payment of a retirement or death benefit, as provided for by the bill. The supplemental payment is payable not later than September 2007 and, to the extent practicable, on a date or dates that coincide with the regular annuity payment payable to each eligible annuitant. The amount of the supplemental payment is equal to the lesser of the gross amount of the regular annuity payment to which the eligible annuitant is otherwise entitled for the month of August 2007 or \$2,400.

The supplemental payment is payable without regard to certain forfeitures of benefits. TRS is required to make applicable tax withholding and other legally required deductions before disbursing the supplemental payment. The supplemental payment is in addition to and not in lieu of the regular monthly annuity payment to which the eligible annuitant is otherwise entitled. To be eligible to receive the supplemental payment a person must be, for the month of August 2007, and disregarding certain forfeitures of benefits, an annuitant eligible to receive certain specified annuity payments, except that: if the annuitant is a retiree or a beneficiary under an optional retirement payment plan, to be eligible for the supplemental payment, the effective date of the retirement of the member of TRS must have been on or before a certain specified date; certain annuitants, to be eligible for the supplemental payment, the date of death for the member of the retirement system must have been on or before a certain date; the supplemental; the supplemental payment shall be made to certain annuitants only if the annuity payment commenced on or before a certain specified date; and the supplemental payment is in addition to the guaranteed number of payments and may not be counted as one of the guaranteed monthly payments. The supplemental payment does not apply to certain payments specified by the bill. Except as provided by the bill, the board of trustees of TRS is required to determine the eligibility for and the amount and timing of a supplemental payment and the manner in which the payment is made.

Section 825.4092, Government Code, as added by the bill, is prospective.

EFFECTIVE DATE

September 1, 2007.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute removes Sec. 824.009 which would authorize the amount of a service retirement benefit, disability retirement benefit, or death benefit paid under Chapter 824, Government Code, to be increased only to the extent authorized by the General Appropriations Act applicable to the fiscal biennium in which the increase is initially paid. Such an increase is subject to Section 821.006, Government Code. The substitute also removes the provision that provides that that a benefit improvement is subject to Section 824.009, Government Code.

The substitute removes the Original bill's provision that the rate of contributions for each member of the retirement system is authorized, as directed by the General Appropriations Act consistent with the actuarial soundness of TRS, to be decreased to not less than 6% or increased to not more than 6.6%, of the member's annual compensation. The substitute removes the provision providing that such an increase applies to annual compensation received for service rendered during the school years that correspond to the fiscal biennium to which the General Appropriations Act requiring the decrease or increase applies or a shorter period specified by that Act and that such an increase may not be required to fund certain benefit increases.

The substitute removes SECTION 6 and SECTION 7 of the original bill dealing with Employer contributions.

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The substitute removes language providing for supplemental payment authorization in the General appropriations act and provides that the supplemental payment is the lesser of the gross amount of the regular annuity payment to which the eligible annuitant is otherwise entitled for the month of August 2007; or \$2,400.