

BILL ANALYSIS

S.B. 1668
By: Duncan
Pensions, Investments & Financial Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

During several recent public meetings, the Teacher Retirement System of Texas (TRS) board of trustees and staff reviewed the different types of service credit that TRS members could purchase and found that the costs of various types of service credits were unequal and that some types of TRS members' service credits were subsidized by other members. S.B. 1668 seeks to eliminate or reduce both the TRS service credit cost inequities and the subsidization for the purchase of service credits. The bill seeks to update references to federal law government veterans' reemployment rights, remove certain requirements for developmental leave credit, and amend certain provisions relating to reinstatement of canceled service credit on resumption of TRS membership.

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

S.B. 1668 amends the Government Code to replace the additional reemployed veteran's credit that a person can establish in the Teacher Retirement System of Texas (TRS) for the person's active duty service in the United States armed forces with a USERRA credit and changes the qualification requirements for establishing such credit from qualifying under the federal Veteran's Reemployment Rights Act to qualifying under the federal Uniformed Services Employment and Reemployment Rights Act of 1994. The bill removes a provision requiring a person to deposit with TRS for each year of service claimed a fee of five percent, compounded annually, of the required contribution from the date of the person's first eligibility to establish the credit to the date of deposit. The bill adds, in a provision authorizing TRS to grant the person service credit for the period of active duty in the armed forces as if the person had been employed in a position eligible for membership and credit with TRS, the condition that the person establish credit by making the required deposits, or, if the person has not made the required deposits, the condition that TRS consider the period of active duty for the purpose of determining whether the person meets the length-of-service eligibility requirements for retirement or other benefits administered by TRS as if the person had established the credit.

S.B. 1668, in a provision authorizing an eligible TRS member to establish equivalent membership service credit for employment with an out-of-state public school system and specifying that an eligible member is one who has at least five years of service credit in TRS for actual service in public schools, adds the condition that the member's service include at least one year of service credit completed after the relevant out-of-state service.

S.B. 1668, in a provision authorizing an eligible TRS member to establish equivalent membership service credit for developmental leave that is creditable in TRS, specifies that a member eligible to establish credit for such leave is one who has at least five years of service credited in TRS before the developmental leave occurs; has, at the time the required deposits for

the credit are paid, at least one year of membership service credit in TRS following the developmental leave; and has at least five years of service credited in TRS at the time the required deposits for the credit are paid. The bill removes a provision requiring such a member to be an employee of a public school at the time the credit is sought. The bill requires the notice of intent to take developmental leave filed by the member with TRS and the certification filed by the member's employer with TRS that the leave meets certain requirements to be in the form required by TRS and establishes that leave is not creditable in TRS if the member does not submit notice of intent and obtain the certification.

S.B. 1668 authorizes a member to establish developmental leave credit by depositing with TRS for each year of certified developmental leave the actuarial present value, at the time of deposit, of the additional standard retirement annuity benefits that would be attributable to the purchase of the service credit, based on rates and tables recommended by TRS's actuary and adopted by the TRS board of trustees. The bill removes a requirement for a member, in order to establish such developmental leave credit, to deposit for each year of developmental leave claimed an amount equal to the sum of the rate of member contributions required during the year of leave, times the member's annual rate of compensation during the member's most recent year of creditable service that preceded the year of leave plus the amount that the state would have contributed had the member performed membership service during the year of leave at the member's annual rate of compensation during the most recent year of service that preceded the leave.

S.B. 1668 increases the amount of the reinstatement fee for a member who terminated the member's TRS membership and becomes eligible to reinstate the canceled service credit from six percent to eight percent of the amount withdrawn or refunded from the date of withdrawal or refund to the date of redeposit.

S.B. 1668 prohibits TRS, if deductions for member contributions were previously required but not paid, from providing benefits based on the service or compensation unless the deposits required for membership fees and contributions have been fully paid. The bill requires a person's employer at the time an unreported service was rendered or compensation was paid to verify the service or compensation and requires the person to submit the verification to the retirement system not later than five years after service was rendered or compensation was paid. The bill requires the person, so as to establish the service or compensation credit, to deposit with TRS the actuarial present value, at the time of deposit, of the additional standard retirement annuity benefits that would be attributable to the purchase of service or compensation credit, based on rates and tables recommended by TRS's actuary and adopted by the TRS board of trustees. The bill, in a provision requiring proof of service to be made before service is granted or payment for the credit is required if deductions were previously required but not paid, specifies that the proof of service required is proof of service satisfactory to TRS. The bill prohibits a person who does not obtain proof of service from establishing the service or compensation credit.

S.B. 1668 makes provisions of law as amended by Section 10, Chapter 1359 (S.B. 1691), Acts of the 79th Legislature, Regular Session, 2005, relating to requirements for deposit for establishing credit in TRS, applicable to a person who was a member of TRS on December 31, 2005, and to out-of-state service performed before January 1, 2006. The bill requires the verification for unreported service rendered or unreported compensation paid before the effective date of the bill to be received by TRS not later than August 31, 2016. The bill authorizes a person to establish service credit by paying certain deposits and fees required by certain provisions of law as those provisions existed before amendment or repeal by the bill if the person otherwise meets all eligibility requirements under those sections as amended by the bill; if the service for which credit is sought to be established was rendered, or the compensation for which credit is sought was paid, before the effective date of the bill; and if the person makes payment for the service credit, or enters into an installment agreement for payment, not later than August 31, 2013. The bill authorizes a person, if the person has an installment agreement that is terminated after August 31, 2013, before the person has made all of the payments, to establish credit only as

provided by the bill's provisions.

S.B. 1668 repeals the following provisions of the Government Code:

- Section 823.401(i), relating to determination of the amount of a member's contribution to TRS for equivalent out-of-state service
- Sections 823.402(g) and (h), relating to the establishment of credit for developmental leave
- Section 823.501(e), relating to service credit canceled by a withdrawal of contributions

S.B. 1668 repeals Section 57, Chapter 1359 (S.B. 1691), Acts of the 79th Legislature, Regular Session, 2005, relating to the establishment of out-of-state service credit.

EFFECTIVE DATE

September 1, 2011.