

BILL ANALYSIS

C.S.H.B. 1882
By: Callegari
Pensions
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Texas Legislature periodically evaluates the laws relating to the Employees Retirement System of Texas (ERS) and makes changes to address the needs of both the legislature and ERS. C.S.H.B. 1882 seeks to revise applicable laws relating to the operation and administration of ERS.

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.H.B. 1882 amends the Government Code to entitle the Employees Retirement System of Texas (ERS) to obtain criminal history record information relating to a current or former ERS employee or job applicant from the FBI Criminal Justice Information Services Division or another law enforcement agency, as well as from the Department of Public Safety. The bill expands the scope of the entitlement to include criminal history record information from any of those entities regarding an ERS consultant, contract employee, independent contractor, intern, or volunteer or an applicant to serve in one of those positions or to a candidate for appointment or election either to the ERS board of trustees or to an advisory committee to the board.

C.S.H.B. 1882, effective September 1, 2014, establishes that a contributing ERS member who retires can opt to receive service credit instead of a lump-sum payment to which the member is entitled for the member's accrued vacation time as of the date of retirement and that an ERS member who is in the employee class of membership at the time of retirement and who retires on the basis of service or a disability can receive a lump-sum payment instead of the service credit to which the member is entitled for any unused annual leave as of the last day of employment.

C.S.H.B. 1882 extends to members of an advisory committee appointed by the ERS board of trustees the immunity from liability granted to the ERS board, executive director, and employees for any action taken or omission made or suffered by them in good faith in the performance of any of their respective official duties.

C.S.H.B. 1882 establishes that, except as otherwise provided by law, an office or employment with a university system or institution of higher education is not a position with a department, commission, board, agency, or institution of the state for purposes of establishing an individual's eligibility to participate in ERS.

C.S.H.B. 1882 specifies that, when a member establishes ERS service credit for membership, military, or equivalent service that was not previously established by depositing a specified lump sum plus the interest on that sum computed from the date the service was performed to the date of deposit, the amount of the corresponding state contribution for that newly established service corresponds to the amount of the lump sum and the interest paid by the member in the same ratio

as the state's contribution bears to the required member contribution for current service at the time the purchased credit is established and that such matching interest must be paid from the same fund or account as the state's matching contribution.

C.S.H.B. 1882 establishes that the eligibility criterion for establishing military service credit in either ERS or the Judicial Retirement System of Texas Plan Two that restricted such eligibility to a member who does not receive and is not eligible to receive federal retirement payments based on 20 years or more of active federal military duty does not apply to a member's receipt of or eligibility to receive such payments based on the equivalent of active federal military duty.

C.S.H.B. 1882, effective September 1, 2014, removes specifications that made the limited authorization to use accumulated sick leave or annual leave that is unused as of a member's last day of employment only for purposes of calculating the member's or beneficiary's annuity applicable only to a member who was not an ERS member on the date hired and was hired on or after September 1, 2009, or to such member's death benefits beneficiary.

C.S.H.B. 1882, effective September 1, 2014, bases the calculation of the standard service retirement annuity for service credited in the employee class of membership and for at least 20 years of service credit as a law enforcement or custodial officer on the member's average monthly compensation for the 60 highest months of compensation, rather than the member's average monthly compensation for the 36 highest months of compensation, times the applicable multiplier for each year of creditable ERS credit.

C.S.H.B. 1882, effective September 1, 2014, increases from age 60 to age 62 the early retirement threshold below which a retiree's standard service retirement annuity is subject to a five percent reduction for each year of retirement in advance of that age and removes the 25 percent cap on such early retirement reductions.

C.S.H.B. 1882, effective September 1, 2014, increases the normal retirement age on which the standard combined service annuity for a law enforcement or custodial officer with at least 20 years of service credit is based from 50 years of age to 57 years of age, unless such officer meets the rule of 80 at an earlier age, and reduces such officer's annuity by five percent for each year of difference between the member's age at retirement and 57 if the officer takes an early retirement. The bill establishes that this actuarial reduction is in addition to any other actuarial reduction required by law. The bill entitles a law enforcement or custodial officer who retires before attaining the age of 50, rather than before attaining the normal retirement age, to an annuity that is actuarially reduced from the annuity available at that age to the law enforcement or custodial officer whose service credit annuity amount is based on the sum of the member's age and amount of law enforcement or custodial officer service credit and employee class service credit and establishes that such officer is not entitled to have the annuity recalculated at normal retirement age.

C.S.H.B. 1882 authorizes an ERS retiree to change the retiree's optional annuity selection to the standard service retirement annuity if a court orders such a change under a divorce decree or if the retiree designated a person as beneficiary who is not currently the retiree's spouse or dependent child and subsequent to such designation executes a written, notarized instrument releasing ERS from any claim to the annuity by the beneficiary to the annuity and that transfers all of the beneficiary's interest in the annuity to the retiree.

C.S.H.B. 1882 requires ERS to grant a one-time cost-of-living adjustment on a finding by the board of trustees that, as determined by an actuarial valuation, the amortization period for ERS's unfunded actuarial liabilities does not exceed 30 years by one or more years and, as a result of paying the adjustment, the time required to amortize the unfunded actuarial liabilities would not be increased to a period that exceeds 30 years by one or more years. The bill requires ERS to pay the cost-of-living adjustment to a retiree who has been retired for 20 years or more on the date the board of trustees makes such a finding, or to a beneficiary of the retiree, as an increase to a

monthly service retirement benefit, disability retirement benefit, or death benefit, as applicable, paid for service credited in the employee class. The bill caps the cost-of-living adjustment at the lesser of an amount equal to three percent of the monthly benefit subject to the increase or \$100 a month.

C.S.H.B. 1882, effective January 1, 2014, decreases from five percent to two percent the annual interest rate on the mean balance of the member's individual account in the employees saving account that is used to compute the monthly interest earned on money in the account. The bill establishes that this provision applies only to interest accrued on or after January 1, 2014.

C.S.H.B. 1882 establishes that member contributions deducted for deposit in the law enforcement and custodial officer supplemental retirement fund earn interest at the same rate as money in an individual account in the employees saving account and are subject to the same computations and limitations that apply to those member contributions.

C.S.H.B. 1882 requires a department or agency of the state to deduct a member's contribution using a percentage equal to the percentage used to compute the state contribution if the department's or agency's state contribution rate is greater than 6.5 percent of member compensation but caps such the member contributions at seven percent.

C.S.H.B. 1882 removes a provision specifying that a person's ERS membership is terminated, after a lapse of time since the member last earned creditable service, by transfer of the person's accumulated contributions as a result of the person's failure to file a valid application either requesting that the person's individual account remain open or requesting payment based on money or credit in the account after ERS has sent notice.

C.S.H.B. 1882 removes a provision authorizing a member to establish service credit in the Judicial Retirement System of Texas Plan Two for any calendar year during which the member was eligible to take the oath for an office included in the membership of the retirement system.

C.S.H.B. 1882 amends the Insurance Code to decrease from 40 to 30 the minimum number of hours per week an employee must work in order to be considered a "full-time employee" for purposes of the Texas Employees Group Benefits Act. The bill redefines child, for purposes of establishing a person's status as a dependent of an individual eligible for coverage under the group benefits act, to include a child in the possession of a participant who is designated as the child's managing conservator under an irrevocable or unrevoked affidavit of relinquishment under statutory provisions relating to termination of the parent-child relationship.

C.S.H.B. 1882, effective September 1, 2014, makes an individual eligible to participate in the state employees group benefits program not later than the 90th day after the date the individual performs services for a state agency or is qualified for and begins to hold elected or appointed office, rather than on the first day of the calendar month that begins after that 90th day. The bill makes an individual who does not retire at the end of the last month for which the individual is on the payroll of a state agency before retirement eligible to participate in the state employees group benefits program as an annuitant not later than the 90th day after the date the individual retires, rather than on the first day of the calendar month that begins after that 90th day.

C.S.H.B. 1882 raises from 25 to 26 the age when the coverage under the Texas Employees Group Benefits Act for a dependent child who is unmarried ends and at which the individual may reinstate coverage if the child or child's participating parent pays the coverage's full cost.

C.S.H.B. 1882, effective September 1, 2014, specifies the amount to be contributed by the state, as a percentage of a full state contribution based on the annuitant's eligible service credit, for the benefit of an annuitant covered under the Texas Employees Group Benefits Act. The bill requires an annuitant receiving a reduced state contribution to have any state contribution for dependent coverage reduced in an amount proportional to that reduction. The bill exempts from these

provisions an individual who receives or is eligible to receive an annuity that is based on eligibility under Government Code provisions prescribing benefits for a member who has service credit in both classes of membership, a member who has service credit in the elected class of membership, a member who is eligible to retire and receive certain service retirement annuities and an individual who is eligible to participate in the group benefits program because of a disability. The bill makes these provisions applicable only to an individual who does not have 10 years of eligible service credit on September 1, 2014.

C.S.H.B. 1882 exempts from those Government Code provisions relating to an ERS member other than a law enforcement or custodial officer that take effect September 1, 2014, a person who retires as an ERS member on or after September 1, 2014, and who meets one or more of the following requirements on or before August 31, 2014: the person has attained 50 years of age; the sum of the person's age and amount of ERS service credit equals 70 or greater; or the person has at least 20 years of ERS service credit. The bill exempts from those Government Code provisions relating to a law enforcement or custodial officer taking effect September 1, 2014, a person who retires as an ERS member on or after September 1, 2014, and who, on or before August 31, 2014, has attained 45 years of age or has at least 15 years of ERS service credit. The bill restricts determination of eligibility under these exemptions to service actually credited in ERS, the Teacher Retirement System of Texas, or a retirement system participating in the proportionate retirement program, or service performed as a participant in the optional retirement program on or before August 31, 2014.

C.S.H.B. 1882, effective September 1, 2013, repeals Government Code provisions relating to an ERS end-of-fiscal-year payment from the social security administration fund to the comptroller of public accounts for deposit in the general revenue fund to pay for certain administrative expenses and provisions relating to the transfer in certain circumstances of accumulated contributions in the Judicial Retirement System of Texas Plan Two.

C.S.H.B. 1882, effective September 1, 2014, repeals Government Code provisions relating to the use of accumulated sick leave or annual leave by an individual who was a member or employee on August 31, 2009, and is included in the employee class or by the member's death benefits beneficiary to satisfy service requirements for retirement or to qualify for making a death benefits plan selection, respectively; Government Code provisions setting out the calculation of a standard service retirement annuity for service credited in the employee class of membership for a retirement eligible member who was not a member on the date hired and was hired on or after September 1, 2009; and Government Code provisions prescribing adjusted benefits for certain peace officers hired on or after September 1, 2009, who were not members on the date hired.

C.S.H.B. 1882, effective September 1, 2013, repeals Insurance Code provisions prescribing the required reports of community supervision and corrections departments participating in the state employees group benefits program under the group benefits act.

C.S.H.B. 1882, effective September 1, 2013, repeals the following provisions of the Government Code:

- Section 76.006(i)
- Section 606.030(f)
- Section 840.401

The bill, effective September 1, 2014, repeals the following provisions of the Government Code:

- Sections 813.509(d) and (e)
- Sections 813.511(d) and (e)
- Section 814.105(c)
- Section 814.1075

The bill, effective September 1, 2013, repeals Section 1551.321, Insurance Code.

EFFECTIVE DATE

Except as otherwise provided, September 1, 2013.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1882 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 411.1402(a), Government Code, is amended to read as follows:

Sec. 411.1402. ACCESS TO CRIMINAL HISTORY RECORD INFORMATION: EMPLOYEES RETIREMENT SYSTEM OF TEXAS. (a) The Employees Retirement System of Texas is entitled to obtain from the department, the Federal Bureau of Investigation Criminal Justice Information Services Division, or another law enforcement agency criminal history record information maintained by the department, division, or agency that relates to a person who is:

- (1) an applicant for employment with, or who is or has been employed by, the retirement system;
- (2) a consultant, contract employee, independent contractor, intern, or volunteer for the retirement system or an applicant to serve in one of those positions; or
- (3) a candidate for appointment or election to the board of trustees of the retirement system or an advisory committee to that board.

No equivalent provision.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Substantially the same as introduced version.

SECTION 2. Section 661.091(a), Government Code, is amended to read as follows:

(a) A contributing member of the Employees Retirement System of Texas who retires is entitled to a lump-sum payment [~~be paid in a lump sum~~], from funds of the agency or department from which the member retires, for the member's accrued vacation time as of the date of retirement, unless the member opts to receive for that accrued vacation time service credit under Section 813.511(a).

No equivalent provision.

SECTION 2. Section 812.003(b), Government Code, is amended to read as follows:

(b) An office or employment that is included in the coverage of the Teacher Retirement System of Texas, the Judicial Retirement System of Texas Plan One, ~~or~~ the Judicial Retirement System of Texas Plan Two, or is with a university system or institution of higher education, as defined by Section 61.003, Education Code, is not a position with a department, commission, board, agency, or institution of the state for purposes of this subtitle.

No equivalent provision.

SECTION 3. Section 811.007, Government Code, is amended to read as follows:

Sec. 811.007. IMMUNITY FROM LIABILITY. The board of trustees, executive director, members of an advisory committee appointed by the board of trustees, and employees of the retirement system are not liable for any action taken or omission made or suffered by them in good faith in the performance of any duty in connection with any program or system administered by the retirement system.

SECTION 4. Section 812.003(b), Government Code, is amended to read as follows:

(b) An office or employment that is included in the coverage of the Teacher Retirement System of Texas, the Judicial Retirement System of Texas Plan One, or the Judicial Retirement System of Texas Plan Two or, except as provided by Section 9.01, Chapter 238 (S.B. 378), Acts of the 73rd Legislature, Regular Session, 1993, is with a university system or institution of higher education, as defined by Section 61.003, Education Code, is not a position with a department, commission, board, agency, or institution of the state for purposes of this subtitle.

SECTION 5. Section 813.202(c), Government Code, is amended to read as follows:

(c) The state shall contribute for service established under this section an amount in the same ratio to the member's contribution and interest paid under Subsection (b) for the service as the state's contribution bears to the contribution for current service required of a member of the employee class at the time the service is established under this section. The state's contribution and interest must be paid from the fund or account from which the member receives compensation at the time the service is established or, if the member does not hold a position at the time the service is established, from the fund or account from which the member received compensation when the member most recently held a

position.

SECTION 3. Section 813.302(b), Government Code, is amended to read as follows:

(b) A member eligible to establish military service credit is one who:

(1) does not receive and is not eligible to receive federal retirement payments based on 20 years or more of active federal military duty ~~[or its equivalent]~~;

(2) has been released from military duty under conditions not dishonorable; and

(3) has credit in the retirement system for membership service performed after the member's date of release from active military duty.

No equivalent provision.

No equivalent provision.

SECTION 6. Same as introduced version.

SECTION 7. Section 813.509(k), Government Code, is amended to read as follows:

(k) A member ~~[who was not a member on the date hired and was hired on or after September 1, 2009,]~~ or a death benefit beneficiary of that member may use sick leave creditable under this section only for purposes of calculating the member's or beneficiary's annuity.

SECTION 8. Sections 813.511(a) and (j), Government Code, are amended to read as follows:

(a) A member who holds a position included in the employee class of membership during the month that includes the effective date of the member's retirement and who retires based on service or a disability is entitled to service credit in the retirement system for the member's annual leave that has accumulated and is unused on the last day of employment, unless the member opts to receive for that accumulated leave a lump-sum payment under Section 661.091.

(j) A member ~~[who was not a member on the date hired and was hired on or after September 1, 2009,]~~ or a death benefit beneficiary of that member may use annual leave creditable under this section only for purposes of calculating the member's or beneficiary's annuity.

No equivalent provision.

SECTION 9. Sections 814.105(a) and (d), Government Code, are amended to read as follows:

(a) The ~~[Except as otherwise provided by this section, the]~~ standard service retirement annuity for service credited in the employee class of membership is an amount computed as the member's average monthly compensation for service in that class for the 60 ~~[36]~~ highest months of compensation multiplied by 2.3 percent for each year of service credit in that class.

(d) The standard service retirement annuity computed under this section ~~[Subsection (e)]~~ is reduced by five percent for each year the member retires before the member reaches age 62 ~~[60, with a maximum possible reduction of 25 percent]~~.

No equivalent provision.

SECTION 10. Section 814.107, Government Code, is amended by amending Subsections (b) and (c) and adding Subsection (c-1) to read as follows:

(b) The standard service retirement annuity payable for at least 20 years of service credit as a law enforcement or custodial officer is an amount computed on the basis of the member's average monthly compensation for the 60 ~~[36]~~ highest months of compensation in the employee class, times the sum of the percentage factor used in the computation of a standard service retirement annuity under Section 814.105 plus .5 percent.

(c) The standard combined service retirement annuity that is payable under this section is based on retirement on or after the attainment of the normal retirement age, which for purposes of this section is the earlier of either the age of 57 ~~[50]~~ or the age at which the sum of the member's age and amount of service credit in the employee class equals the number 80. The annuity of a law enforcement or custodial officer who retires before reaching the age of 57 under any eligibility criteria is actuarially reduced by five percent for each year of difference between the member's age at retirement and 57. The actuarial reduction described by this section is in addition to any other actuarial reduction required by law.

(c-1) A law enforcement or custodial officer who retires before attaining the ~~[normal retirement]~~ age of 50 is entitled

only to an annuity that is actuarially reduced from the annuity available at the [~~normal retirement~~] age of 50 to the law enforcement or custodial officer whose service credit annuity amount is based on the sum of the member's age and amount of law enforcement or custodial officer service credit and employee class service credit, and is not entitled to have the annuity recalculated at normal retirement age. The standard or reduced annuity under this section is payable from the trust fund established by Section 815.310 and the law enforcement and custodial officer supplemental retirement fund in a ratio determined by the retirement system.

SECTION 4. Section 814.1081(a), Government Code, is amended to read as follows:

Sec. 814.1081. CHANGE IN ANNUITY SELECTION. (a) A person who retired and selected an optional service retirement annuity described by Section 814.108(c)(1), (c)(2), or (c)(5) may change the optional annuity selection to the selection of a standard service retirement annuity by filing

with the retirement system a request to change the annuity selection, if the retiree designated a person as beneficiary who:

(1) was not at the time of designation and is not currently the retiree's spouse or dependent child; ~~or~~

(2) has executed since the designation a written, notarized instrument that releases the retirement system from any claim by the beneficiary to the annuity and that transfers all transfer and release, approved by a court of competent jurisdiction pursuant to a divorce decree, of the beneficiary's interest in the annuity to the retiree, and is not currently the retiree's spouse or dependent child; or

(3) was ordered by a court of competent jurisdiction pursuant to a divorce decree to change the annuity selection to a standard service retirement annuity.

SECTION 11. Section 814.1081(a), Government Code, is amended to read as follows:

(a) A person who retired and selected an optional service retirement annuity described by Section 814.108(c)(1), (c)(2), or (c)(5) may change the optional annuity selection to the selection of a standard service retirement annuity if:

(1) pursuant to a divorce decree, a court orders the change in the annuity selection to a standard service retirement annuity; or

(2) the retiree files [by filing] with the retirement system a request to change the annuity selection, if the retiree designated a person as beneficiary who:

(A) [(1)] was not at the time of designation and is not currently the retiree's spouse or dependent child; or

(B) is not currently the retiree's spouse or dependent child and [(2)] has executed since the designation a written, notarized instrument that releases the retirement system from any claim to the annuity by the beneficiary and that transfers all [transfer and release, approved by a court of competent jurisdiction pursuant to a divorce decree,] of the beneficiary's interest in the annuity to the retiree [and is not currently the retiree's spouse or dependent child].

No equivalent provision.

SECTION 12. Subchapter G, Chapter 814, Government Code, is amended by adding Section 814.604 to read as follows:

Sec. 814.604. COST-OF-LIVING ADJUSTMENT. (a) The retirement system shall grant a one-time cost-of-living adjustment as provided by Subsections (b) and (c) on a finding by the board of trustees that, as determined by an actuarial valuation:

(1) the amortization period for the unfunded actuarial liabilities of the retirement system does not exceed 30 years by one or more years; and

(2) as a result of paying the adjustment, the time required to amortize the unfunded actuarial liabilities of the retirement system would not be increased to a period that exceeds 30 years by one or more years.

(b) The retirement system shall pay the cost-of-living adjustment under this section to a retiree who has been retired for 20 years or more on the date the board of trustees makes the finding in Subsection (a), or to a beneficiary of the retiree, as an increase to a monthly service retirement benefit, disability retirement benefit, or death benefit, as applicable, paid under this chapter for service credited in the employee class.

(c) A cost-of-living adjustment under this section is limited to the lesser of:

(1) an amount equal to three percent of the monthly benefit subject to the increase; or

(2) \$100 a month.

No equivalent provision.

SECTION 13. Section 815.311(b), Government Code, is amended to read as follows:

(b) Interest on money in an individual account in the employees saving account is earned monthly and is computed at the rate of two [~~five~~] percent a year on the mean balance of the member's account for the fiscal year.

No equivalent provision.

SECTION 14. Section 815.317, Government Code, is amended by adding Subsection (d) to read as follows:

(d) Member contributions to the fund deducted under Section 815.402(h):

(1) earn interest at the same rate as money in an individual account in the employees

saving account under Section 815.311; and (2) are subject to the same computations and limitations that apply to member contributions under Section 815.311.

No equivalent provision.

SECTION 15. Section 815.402(a), Government Code, is amended to read as follows:

(a) Except as provided by Section 813.201, each payroll period, each department or agency of the state shall cause to be deducted from each member's compensation a contribution of:

(1) 6.5 percent of the compensation if the member is not a member of the legislature, provided that:

(A) if the state contribution to the retirement system is computed using a percentage less than 6.5 percent, the member's contribution is computed using a percentage equal to the percentage used to compute the state contribution, which may not be less than six percent; or

(B) if the state contribution to the retirement system is computed using a percentage greater than 6.5 percent, the member's contribution is computed using a percentage equal to the percentage used to compute the state contribution, except that the member contribution may not exceed seven percent; or

(2) eight percent of the compensation if the member is a member of the legislature.

No equivalent provision.

SECTION 16. Section 837.002, Government Code, is amended to read as follows:

Sec. 837.002. TERMINATION OF MEMBERSHIP. A person's membership in the retirement system is terminated by:

(1) death of the person;

(2) retirement based on service credited in the retirement system; or

(3) withdrawal of all of the person's accumulated contributions[~~;~~ ~~or~~

~~[(4) transfer of the person's accumulated contributions under Section 840.401(f)].~~

SECTION 5. Section 838.103(b), Government Code, is amended to read as follows:

(b) A member eligible to establish military

SECTION 17. Same as introduced version.

service credit is one who:

- (1) has at least eight years of service credit in the retirement system;
- (2) does not receive and is not eligible to receive federal retirement payments based on 20 years or more of active federal military duty ~~[or its equivalent]~~; and
- (3) has been released from military duty under conditions not dishonorable.

No equivalent provision.

SECTION 18. Sections 838.106(a) and (c), Government Code, are amended to read as follows:

(a) A member may establish service credit in the retirement system for any calendar year during which the member ~~[-~~ ~~(1)]~~ held an office included in the membership of the retirement system ~~[-~~ ~~or~~ ~~(2) was eligible to take the oath for an office included in the membership of the retirement system]~~.

(c) For the purpose of Subsection (a) ~~[(a)(1)]~~, the term of a member leaving judicial office ends not later than December 31 regardless of the date on which the member's successor takes the oath of office.

No equivalent provision.

SECTION 19. Sections 1551.003(9) and (11), Insurance Code, are amended to read as follows:

(9) "Full-time employee" means an employee designated as a full-time employee under Section 1551.319(c) or (d) or an employee designated by the employer as working 30 ~~[40]~~ or more hours a week.

(11) "Part-time employee" means an employee designated by the employer as working less than 30 ~~[40]~~ hours a week. For purposes of this chapter, an individual described by Section 1551.101(e)(2) is considered a part-time employee.

SECTION 6. Section 1551.104(b), Insurance Code, is amended to read as follows:

(b) In this section, "child" includes:

- (1) a natural child, adopted child, stepchild, ~~or~~ foster child, or child in the possession of a person designated managing conservator in an irrevocable or unrevoked affidavit of relinquishment under Chapter 161, Family Code; or

SECTION 20. Section 1551.004(b), Insurance Code, is amended to read as follows:

(b) In this section, "child" includes:

- (1) a natural child, adopted child, stepchild, ~~[or]~~ foster child, or child in the possession of a participant who is designated as managing conservator of the child under an irrevocable or unrevoked affidavit of relinquishment under Chapter 161, Family

(2) a child who is related by blood or marriage and was claimed as a dependent on the federal income tax return of an individual who is eligible to participate in the group benefits program under Section 1551.101 or 1551.102 for the calendar year preceding the plan year in which the child is first enrolled as a dependent under Subchapter D, and for each subsequent year in which the child is enrolled as a dependent.

SECTION 7. Sections 1551.1055(a) and (b), Insurance Code, are amended to read as follows:

Sec. 1551.1055. DATE ELIGIBILITY BEGINS; WAITING PERIOD. (a) Except as provided by Subsection (c) or (d), eligibility under Section 1551.101 begins not later than [~~on the first day of the calendar month that begins after~~] the 90th day after the date the employee performs services for a state agency or is qualified for and begins to hold elected or appointed office.

(b) Except as provided by Subsection (c), eligibility under Section 1551.102, for an individual who does not retire at the end of the last month for which the individual is on the payroll of a state agency before retirement, begins not later than the [~~on the first day of the calendar month that begins after~~] 90th day after the date the individual retires.

SECTION 8. Section 1551.158(a), Insurance Code, is amended to read as follows:

(a) A dependent child who is unmarried and whose coverage under this chapter ends when the child becomes 26 [~~25~~] years of age may, on expiration of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (Pub. L. No. 99-272), reinstate health benefit plan coverage under this chapter if the child, or the child's participating parent, pays the full cost of the health benefit plan coverage.

No equivalent provision.

Code; or

(2) a child who is related by blood or marriage and was claimed as a dependent on the federal income tax return of an individual who is eligible to participate in the group benefits program under Section 1551.101 or 1551.102 for the calendar year preceding the plan year in which the child is first enrolled as a dependent under Subchapter D, and for each subsequent year in which the child is enrolled as a dependent.

SECTION 21. Substantially the same as introduced version.

SECTION 22. Same as introduced version.

SECTION 23. Subchapter G, Chapter 1551, Insurance Code, is amended by adding

Section 1551.3196 to read as follows:
Sec. 1551.3196. AMOUNT OF CONTRIBUTION FOR CERTAIN ANNUITANTS. (a) An annuitant receives the benefits of a state contribution for coverage under this chapter based on the annuitant's eligible service credit, as follows:

(1) for an annuitant with 20 years or more of eligible service credit, a full state contribution;

(2) for an annuitant with at least 15 years but less than 20 years of eligible service credit, 75 percent of a full state contribution; and

(3) for an annuitant with less than 15 years of eligible service credit, 50 percent of a full state contribution.

(b) An annuitant receiving a reduced state contribution under Subsection (a) shall have any state contribution for dependent coverage reduced in an amount proportional to the reduction under Subsection (a).

(c) This section does not apply to an individual who:

(1) receives or is eligible to receive an annuity that is based on eligibility under Section 814.002, 814.102, 834.101, or 839.101, Government Code; or

(2) is eligible to participate in the group benefits program under:

(A) Section 1551.102(d) because of a disability; or

(B) Section 1551.102(f).

SECTION 9. The following sections are repealed:

(1) Sections 840.401, Government Code; and

(2) Sections 1551.321, Insurance Code.

No equivalent provision.

SECTION 24. (a) The following provisions of the Government Code are repealed:

(1) effective September 1, 2013:

(A) Section 76.006(i);

(B) Section 606.030(f); and

(C) Section 840.401; and

(2) effective September 1, 2014:

(A) Sections 813.509(d) and (e);

(B) Sections 813.511(d) and (e);

(C) Section 814.105(c); and

(D) Section 814.1075.

(b) Effective September 1, 2013, Section 1551.321, Insurance Code, is repealed.

SECTION 25. (a) The changes in law made by this Act to Sections 813.509,

813.511, and 814.105, Government Code, do not apply to, and the former law is continued in effect for, a person who retires as a member of the Employees Retirement System of Texas on or after September 1, 2014, and who meets one or more of the following requirements on or before August 31, 2014:

- (1) the person has attained 50 years of age;
- (2) the sum of the person's age and amount of service credit in the retirement system equals 70 or greater; or
- (3) the person has at least 20 years of service credit in the retirement system.

(b) The changes in law made by this Act to Section 814.107, Government Code, do not apply to, and the former law is continued in effect for, a person who retires as a member of the Employees Retirement System of Texas on or after September 1, 2014, and who meets one or more of the following requirements on or before August 31, 2014:

- (1) the person has attained 45 years of age; or
- (2) the person has at least 15 years of service credit in the retirement system.

(c) Only service actually credited in the Employees Retirement System of Texas, the Teacher Retirement System of Texas, or a retirement system participating in the proportionate retirement program under Chapter 803, Government Code, or service performed as a participant in the optional retirement program under Chapter 830, Government Code, on or before August 31, 2014, may be used to determine eligibility under this section.

No equivalent provision.

SECTION 26. Section 815.311, Government Code, as amended by this Act, applies only to interest accrued on or after January 1, 2014. Interest accrued before that date is governed by the law in effect on the date the interest was accrued, and that law is continued in effect for that purpose.

No equivalent provision.

SECTION 27. Section 1551.3196, Insurance Code, as added by this Act, applies only to an individual who does not have 10 years of eligible service credit on September 1, 2014. An individual who has at least 10 years of eligible service credit, or is participating in the group benefits

program as a retiree, on that date is governed by the law in effect on August 31, 2014 and the former law is continued in effect for that purpose.

SECTION 10. This Act takes effect on September 1, 2013.

SECTION 28. (a) Except as provided by Subsections (b), (c), and (d) of this section, this Act takes effect September 1, 2013.

(b) Section 815.311, Government Code, as amended by this Act, takes effect January 1, 2014.

(c) Section 1551.3196, Insurance Code, as added by this Act, takes effect September 1, 2014.

(d) The changes in law made by this Act to the following sections take effect September 1, 2014:

(1) Section 661.091, Government Code;

(2) Section 813.509, Government Code;

(3) Section 813.511, Government Code;

(4) Section 814.105, Government Code;

(5) Section 814.107, Government Code;

and

(6) Section 1551.1055, Insurance Code.