

## **BILL ANALYSIS**

S.B. 1458  
By: Duncan  
Pensions  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Interested parties note that the Texas Legislature periodically evaluates the Teacher Retirement System of Texas (TRS) with respect to the system's governing statutes and that such evaluation may result in a revision of certain statutory provisions. S.B. 1458 seeks to make revisions to current TRS law relating to contributions to, benefits from, and the administration of systems and programs by the system.

### **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. 1458 amends the Government Code to require a minimum of five years of service credit as a member of the Teacher Retirement System of Texas (TRS) for a TRS member to be eligible to retire and receive a standard service retirement annuity under the rule of 80. The bill makes a member who does not have at least five years of TRS service credit on or before August 31, 2014, or who becomes a TRS member on or after September 1, 2014, eligible to retire and receive a standard service retirement annuity only if the member is at least 65 years old and has at least five years of service credit in the system or if the member is at least 62 years old, has at least five years of TRS service credit, and meets the rule of 80.

S.B. 1458 makes a member who does not have at least five years of TRS service credit on or before August 31, 2014, or who becomes a TRS member on or after September 1, 2014, eligible to retire and receive a service retirement annuity reduced from the standard service retirement annuity to a specified percentage based on the member's age on the date of retirement if the member is at least 55 years old and has at least five years of service credit but does not meet the rule of 80.

S.B. 1458 decreases the standard annuity by five percent for each year of age under 60 years for a member who is eligible to retire regardless of age, either because the member meets the rule of 80 with at least five years of service credit or because the member has at least 30 years of service credit. The bill makes a member who does not have at least five years of TRS service credit on or before August 31, 2014, or who becomes a TRS member on or after September 1, 2014, if the member meets the rule of 80 with at least five years of service credit or has at least 30 years of service credit in the system, eligible to retire regardless of age and receive a service retirement annuity consisting of the standard service retirement annuity decreased by five percent for each year of age under 62 years.

S.B. 1458 establishes that, for purposes of determining whether a member has at least five years of service on or before August 31, 2014, under the bill's provisions, only service actually credited in TRS, the Employees Retirement System of Texas (ERS), or a retirement system participating in the proportionate retirement program on or before August 31, 2014, may be

counted. The bill specifies that purchased service credit in TRS is not considered actually credited if the service credit is established only after completion of an installment payment plan under which any installment payment is made after August 31, 2014, but provides that such service credit is considered actually credited if payment in full for the purchase of service credit is made by a direct rollover or otherwise on or before August 31, 2014, or if payment in full by direct rollover or otherwise is made after that date and the member's request to purchase service credit occurred on or before August 31, 2014, and payment to purchase the service credit is made in accordance with uniform administrative requirements established by TRS.

S.B. 1458 requires TRS to make a one-time cost-of-living adjustment payable to annuitants receiving a monthly death or retirement benefit annuity. The bill establishes that in order to be eligible for the adjustment a person must be, on the effective date of the adjustment and disregarding any forfeiture of benefits, eligible to receive a standard annuity or disability retirement annuity payment, an optional service or disability retirement annuity payment as either a retiree or beneficiary, an annuity payment for certain beneficiaries of deceased active members or disability retirees, or an alternate payee annuity payment under a qualified domestic relations order. The bill specifies that in order for a retiree annuitant or a beneficiary under an optional retirement payment plan to be eligible for the cost-of-living adjustment, the annuitant must be living on the effective date of the adjustment and the effective date of the TRS member's retirement must have been on or before August 31, 1999. The bill specifies that in order for a beneficiary of a deceased active member or disability retiree to be eligible for the cost-of-living adjustment, the annuitant must be living on the effective date of the adjustment and the TRS member's date of death must have been on or before August 31, 1999. The bill specifies that in order for an alternate payee under a qualified domestic relations order to be eligible for the cost-of-living adjustment, the effective date of the election to receive the annuity payment must be on or before August 31, 1999.

S.B. 1458 establishes that a cost-of-living adjustment does not apply to payments made under statutory provisions prescribing annuity payments for retirees who receive a standard annuity in an amount fixed by statute, for disability retirees with less than 10 years of service credit, for disability retirees who receive a disability annuity in an amount fixed by statute, for active member survivor beneficiaries who receive a survivor annuity in an amount fixed by statute, for retiree survivor beneficiaries who receive a survivor annuity in an amount fixed by statute, or for participants in the deferred retirement option plan with regard to payments from their deferred retirement option plan accounts. The bill requires the cost-of-living adjustment to be made beginning with an annuity payable for the month of September 2013 and limits the amount of the adjustment to the lesser of an amount equal to three percent of the monthly benefit subject to the increase or \$100 a month. The bill requires the TRS board of trustees to determine the eligibility for and the amount of any adjustment in monthly annuities in accordance with the bill's provisions regarding cost-of-living adjustments.

S.B. 1458 decreases from five to two percent the annual, prorated interest rate creditable to a member's account in TRS's deferred retirement option during the period of participation in the plan and until all benefits are distributed. The bill decreases from five to two percent the annual interest rate used to calculate the monthly interest earned on a member's contribution to the member's individual account within TRS. The bill, effective September 1, 2013, establishes specified annual rates of contributions for each TRS member for services rendered after August 31, 2014, and before September 1, 2015; after August 31, 2015, and before September 1, 2016; after August 31, 2016, and before September 1, 2017; and on or after September 1, 2017. The bill removes provisions granting the TRS board of trustees the authority to increase the rate of contributions for each TRS member to not more than 6.58 percent of the member's annual compensation under certain conditions, prohibiting the TRS board of trustees from making a supplemental payment or imposing an increase in the rate of contributions if the board finds that after making the payment and imposing the increase the amortization period for the unfunded actuarial liabilities of the retirement system would exceed 30 years by one or more years, and granting the board authority to delay making a supplemental payment required or authorized by

the legislature by law as necessary to make certain determinations.

S.B. 1458 requires an employer, for each member the employer reports to TRS and for whom the employer is not making contributions to the federal Old-Age, Survivors, and Disability Insurance (OASDI) program, to contribute monthly to TRS for each such member certain specified amounts for the period beginning with the report month of September 2014 and ending with the report month of August 2015, and for the period beginning with the report month for September 2015, respectively. The bill requires the employer, in addition to any contributions required under statutory provisions prescribing contributions based on compensation above the statutory minimum, to make a monthly contribution to TRS for each member entitled to the minimum salary for certain school personnel under applicable current or former Education Code provisions certain specified amounts for the period beginning with the report month of September 2014 and ending with the report month of August 2015, and for the period beginning with the report month for September 2015, respectively. The bill specifies that such contributions are subject to the requirements of statutory provisions prescribing interest due from certain employers for unpaid or undocumented membership fees and contributions and must be used to fund the normal cost of TRS. The bill excludes an employer that is an institution of higher education from these provisions. The bill removes a provision setting the minimum amount of a state contribution to TRS at the amount contributed by members during that fiscal year.

S.B. 1458 amends the Insurance Code, for purposes of the Texas Public School Retired Employees Group Benefits Act, to make a service retiree and any dependent of a service retiree ineligible to participate in an optional group health benefit plan unless the retiree is at least 62 years of age or older, is ineligible under the Texas Employees Group Benefits Act and the State University Employees Uniform Insurance Benefits Act, and meets other conditions prescribed in statute relating to taking a service retirement under TRS. The bill authorizes such a retiree, on the date the retiree reaches 62 years of age and under rules adopted by TRS, to enroll in any coverage tier under the group program and to enroll, in the same coverage tier, the retiree's dependents who are enrolled in the group program as of the date the retiree reaches 62 years of age. The bill exempts from these provisions a person who takes a service retirement under TRS on or after September 1, 2014, and for whom, on or before August 31, 2014, the sum of the person's age and amount of service credit in the retirement system equals 70 or greater or who, on or before August 31, 2014, has at least 25 years of TRS service credit. The bill restricts such eligibility determinations to service actually credited in TRS or ERS on or before August 31, 2014. The bill specifies that purchased service credit in TRS is not considered actually credited if the service credit is established only after completion of an installment payment plan under which any installment payment is required to be made after August 31, 2014, but provides that such service credit is considered actually credited if payment in full for the purchase of service credit is made by a direct rollover or otherwise on or before August 31, 2014, or if payment in full by direct rollover or otherwise is made after that date and the member's request to purchase service credit occurred on or before August 31, 2014, and payment to purchase the service credit is made in accordance with uniform administrative requirements established by TRS.

S.B. 1458, effective September 1, 2013, repeals provisions relating to the Texas School Employees Uniform Group Health Coverage Act requiring the coverage provided under a primary care coverage plan to be comparable in scope and, to the greatest extent possible, in cost to the coverage provided under the Texas Employees Group Benefits Act.

S.B. 1458, effective September 1, 2013, repeals Section 1579.103, Insurance Code.

#### **EFFECTIVE DATE**

Except as otherwise provided, September 1, 2014.