

By: Callegari, et al.

H.B. No. 1882

Substitute the following for H.B. No. 1882:

By: Branch

C.S.H.B. No. 1882

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the powers and duties of and contributions to and
3 benefits from the systems and programs administered by the
4 Employees Retirement System of Texas.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

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

8 (a) The Employees Retirement System of Texas is entitled to
9 obtain from the department, the Federal Bureau of Investigation
10 Criminal Justice Information Services Division, or another law
11 enforcement agency criminal history record information maintained
12 by the department, division, or agency that relates to a person who
13 is:

14 (1) an applicant for employment with, or who is or has
15 been employed by, the retirement system;

16 (2) a consultant, contract employee, independent
17 contractor, intern, or volunteer for the retirement system or an
18 applicant to serve in one of those positions; or

19 (3) a candidate for appointment or election to the
20 board of trustees of the retirement system or an advisory committee
21 to that board.

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

24 (a) A contributing member of the Employees Retirement

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

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

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

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

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

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

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

13 SECTION 6. Section 813.302(b), Government Code, is amended
14 to read as follows:

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

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

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

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

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

27 (k) A member [~~who was not a member on the date hired and was~~

1 ~~hired on or after September 1, 2009,~~] or a death benefit beneficiary
2 of that member may use sick leave creditable under this section only
3 for purposes of calculating the member's or beneficiary's annuity.

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

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

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

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

20 (a) The [~~Except as otherwise provided by this section, the~~]
21 standard service retirement annuity for service credited in the
22 employee class of membership is an amount computed as the member's
23 average monthly compensation for service in that class for the 60
24 [~~36~~] highest months of compensation multiplied by 2.3 percent for
25 each year of service credit in that class.

26 (d) The standard service retirement annuity computed under
27 this section [~~Subsection (c)~~] is reduced by five percent for each

1 year the member retires before the member reaches age 62 [~~60, with a~~
2 ~~maximum possible reduction of 25 percent~~].

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

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

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

25 (c-1) A law enforcement or custodial officer who retires
26 before attaining the [~~normal retirement~~] age of 50 is entitled only
27 to an annuity that is actuarially reduced from the annuity

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

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

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

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

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

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

25 (B) is not currently the retiree's spouse or
26 dependent child and [~~(2)~~] has executed since the designation a
27 written, notarized instrument that releases the retirement system

1 from any claim to the annuity by the beneficiary and that transfers
2 all [~~transfer and release, approved by a court of competent~~
3 ~~jurisdiction pursuant to a divorce decree,~~] of the beneficiary's
4 interest in the annuity to the retiree [~~and is not currently the~~
5 ~~retiree's spouse or dependent child~~].

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

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

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

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

19 (b) The retirement system shall pay the cost-of-living
20 adjustment under this section to a retiree who has been retired for
21 20 years or more on the date the board of trustees makes the finding
22 in Subsection (a), or to a beneficiary of the retiree, as an
23 increase to a monthly service retirement benefit, disability
24 retirement benefit, or death benefit, as applicable, paid under
25 this chapter for service credited in the employee class.

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

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

3 (2) \$100 a month.

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

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

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

12 (d) Member contributions to the fund deducted under Section
13 815.402(h):

14 (1) earn interest at the same rate as money in an
15 individual account in the employees saving account under Section
16 815.311; and

17 (2) are subject to the same computations and
18 limitations that apply to member contributions under Section
19 815.311.

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

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

25 (1) 6.5 percent of the compensation if the member is
26 not a member of the legislature, provided that:

27 (A) if the state contribution to the retirement

1 system is computed using a percentage less than 6.5 percent, the
2 member's contribution is computed using a percentage equal to the
3 percentage used to compute the state contribution, which may not be
4 less than six percent; or

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

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

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

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

16 (1) death of the person;

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

19 (3) withdrawal of all of the person's accumulated
20 contributions[~~, or~~

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

23 SECTION 17. Section 838.103(b), Government Code, is amended
24 to read as follows:

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

27 (1) has at least eight years of service credit in the

1 retirement system;

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

5 (3) has been released from military duty under
6 conditions not dishonorable.

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

9 (a) A member may establish service credit in the retirement
10 system for any calendar year during which the member[+]

11 [~~(1)~~] held an office included in the membership of the
12 retirement system[~~+or~~

13 [~~(2) was eligible to take the oath for an office~~
14 ~~included in the membership of the retirement system~~].

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

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

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

25 (11) "Part-time employee" means an employee
26 designated by the employer as working less than 30 [~~40~~] hours a
27 week. For purposes of this chapter, an individual described by

1 Section 1551.101(e)(2) is considered a part-time employee.

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

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

5 (1) a natural child, adopted child, stepchild, [~~or~~]
6 foster child, or child in the possession of a participant who is
7 designated as managing conservator of the child under an
8 irrevocable or unrevoked affidavit of relinquishment under Chapter
9 161, Family Code; or

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

17 SECTION 21. Sections 1551.1055(a) and (b), Insurance Code,
18 are amended to read as follows:

19 (a) Except as provided by Subsection (c) or (d), eligibility
20 under Section 1551.101 begins not later than [~~on the first day of~~
21 ~~the calendar month that begins after~~] the 90th day after the date
22 the employee performs services for a state agency or is qualified
23 for and begins to hold elected or appointed office.

24 (b) Except as provided by Subsection (c), eligibility under
25 Section 1551.102, for an individual who does not retire at the end
26 of the last month for which the individual is on the payroll of a
27 state agency before retirement, begins not later than [~~on the first~~

1 ~~day of the calendar month that begins after]~~ the 90th day after the
2 date the individual retires.

3 SECTION 22. Section 1551.158(a), Insurance Code, is amended
4 to read as follows:

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

12 SECTION 23. Subchapter G, Chapter 1551, Insurance Code, is
13 amended by adding Section 1551.3196 to read as follows:

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

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

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

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

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

1 reduction under Subsection (a).

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

3 (1) receives or is eligible to receive an annuity that
4 is based on eligibility under Section 814.002, 814.102, 834.101, or
5 839.101, Government Code; or

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

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

9 or

10 (B) Section 1551.102(f).

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

13 (1) effective September 1, 2013:

14 (A) Section 76.006(i);

15 (B) Section 606.030(f); and

16 (C) Section 840.401; and

17 (2) effective September 1, 2014:

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

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

20 (C) Section 814.105(c); and

21 (D) Section 814.1075.

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

24 SECTION 25. (a) The changes in law made by this Act to
25 Sections 813.509, 813.511, and 814.105, Government Code, do not
26 apply to, and the former law is continued in effect for, a person
27 who retires as a member of the Employees Retirement System of Texas

1 on or after September 1, 2014, and who meets one or more of the
2 following requirements on or before August 31, 2014:

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

8 (b) The changes in law made by this Act to Section 814.107,
9 Government Code, do not apply to, and the former law is continued in
10 effect for, a person who retires as a member of the Employees
11 Retirement System of Texas on or after September 1, 2014, and who
12 meets one or more of the following requirements on or before August
13 31, 2014:

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

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

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

1 continued in effect for that purpose.

2 SECTION 27. Section 1551.3196, Insurance Code, as added by
3 this Act, applies only to an individual who does not have 10 years
4 of eligible service credit on September 1, 2014. An individual who
5 has at least 10 years of eligible service credit, or is
6 participating in the group benefits program as a retiree, on that
7 date is governed by the law in effect on August 31, 2014, and the
8 former law is continued in effect for that purpose.

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

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

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

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

17 (1) Section 661.091, Government Code;

18 (2) Section 813.509, Government Code;

19 (3) Section 813.511, Government Code;

20 (4) Section 814.105, Government Code;

21 (5) Section 814.107, Government Code; and

22 (6) Section 1551.1055, Insurance Code.