

1-1 By: Duncan S.B. No. 1458  
1-2 (In the Senate - Filed March 7, 2013; March 18, 2013, read  
1-3 first time and referred to Committee on State Affairs;  
1-4 April 24, 2013, reported adversely, with favorable Committee  
1-5 Substitute by the following vote: Yeas 6, Nays 3; April 24, 2013,  
1-6 sent to printer.)

1-7 COMMITTEE VOTE

1-8	Yea	Nay	Absent	PNV
1-9 Duncan	X			
1-10 Deuell	X			
1-11 Ellis		X		
1-12 Fraser	X			
1-13 Huffman	X			
1-14 Lucio		X		
1-15 Nichols	X			
1-16 Van de Putte		X		
1-17 Williams	X			

1-18 COMMITTEE SUBSTITUTE FOR S.B. No. 1458 By: Duncan

1-19 A BILL TO BE ENTITLED  
1-20 AN ACT

1-21 relating to contributions to, benefits from, and the administration  
1-22 of systems and programs administered by the Teacher Retirement  
1-23 System of Texas.

1-24 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-25 SECTION 1. Section 824.202, Government Code, is amended by  
1-26 amending Subsections (a), (b), (d), and (d-1) to read as follows:

1-27 (a) A ~~[Except as provided by Subsection (a-1), a]~~ member is  
1-28 eligible to retire and receive a standard service retirement  
1-29 annuity if:

1-30 (1) the member is at least 65 years old and has at  
1-31 least five years of service credit in the retirement system; or

1-32 (2) the member is at least 62 ~~[60]~~ years old and has at  
1-33 least five ~~[20]~~ years of service credit in the retirement system,  
1-34 and ~~[+]~~

1-35 ~~[(3) the member is at least 50 years old and has at~~  
1-36 ~~least 30 years of service credit in the retirement system; or~~

1-37 ~~[(4)]~~ the sum of the member's age and amount of service  
1-38 credit in the retirement system equals the number 80.

1-39 (b) This subsection applies only to a person who is not  
1-40 subject to Subsection ~~[(b-1) or]~~ (d) or (d-1). If a member subject  
1-41 to this subsection is at least 55 years old and has at least five  
1-42 years of service credit in the retirement system, the member is  
1-43 eligible to retire and receive a service retirement annuity reduced  
1-44 from the standard service retirement annuity available under  
1-45 Subsection (a)(1), to a percentage derived from the following  
1-46 table:

1-47 Age at date	55	56	57	58	59	60	61	62	63	64	65
1-48 of retirement											
1-49 Percentage of	47%	51%	55%	59%	63%	67%	73%	80%	87%	93%	100%
1-50 standard annuity											
1-51 receivable											

1-52 (d) This subsection applies only to a person who has at  
1-53 least five years of service credit in the retirement system on or  
1-54 before August 31, 2014, and who retires on or after September 1,  
1-55 2014 ~~[is not subject to Subsection (d-1)]~~. If the sum of the  
1-56 member's age and amount of service credit in the retirement system  
1-57 equals the number 80, with at least five years of service credit, or  
1-58 if the ~~[a]~~ member ~~[subject to this subsection]~~ has at least 30 years  
1-59 of service credit in the retirement system, the member is eligible  
1-60 to retire regardless of age and receive a service retirement

annuity consisting of the standard service retirement annuity available under Subsection (a)(2) ~~[(a)]~~ decreased by two percent for each year of age under 62 ~~[50]~~ years.

~~(d-1) [This subsection applies only to a person who becomes a member of the retirement system on or after September 1, 2007.]~~

If the sum of the member's age and amount of service credit in the retirement system equals the number 80, with at least five years of service credit, or if the member has at least 30 years of service credit in the retirement system, the member is eligible to retire regardless of age and receive a service retirement annuity consisting of ~~[, reduced from]~~ the standard service retirement annuity available under Subsection (a)(2) decreased by five percent for each year of age under 62 years ~~[, to a percentage derived from the following table:]~~

<del>[Age at date of retirement]</del>	50	51	52	53	54	55	56	57	58	59	60
<del>[Minimum years of service credit required]</del>	30	29	28	27	26	25	24	23	22	21	20
<del>[Percentage of standard annuity receivable]</del>	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%

~~[For each year of age under 50 years with 30 years of service credit, the standard service retirement annuity shall be five percent less than the percentage for age 50 with 30 years of service credit].~~

SECTION 2. Subchapter H, Chapter 824, Government Code, is amended by adding Section 824.702 to read as follows:

Sec. 824.702. COST-OF-LIVING ADJUSTMENT. (a) The retirement system shall make a one-time cost-of-living adjustment payable to annuitants receiving a monthly death or retirement benefit annuity, as provided by this section.

(b) Subject to Subsections (c) and (d), to be eligible for the adjustment, a person must be, on the effective date of the adjustment and disregarding any forfeiture of benefits under Section 824.601, an annuitant eligible to receive:

(1) a standard service or disability retirement annuity payment;

(2) an optional service or disability retirement annuity payment as either a retiree or beneficiary;

(3) an annuity payment under Section 824.402(a)(3) or (4);

(4) an annuity payment under Section 824.502; or

(5) an alternate payee annuity payment under Section 804.005.

(c) If the annuitant:

(1) is a retiree, or is a beneficiary under an optional retirement payment plan, to be eligible for the adjustment under this section:

(A) the annuitant must be living on the effective date of the adjustment; and

(B) the effective date of the retirement of the member of the Teacher Retirement System of Texas must have been on or before August 31, 1994;

(2) is a beneficiary under Section 824.402(a)(3) or (4) or 824.502, to be eligible for the adjustment:

(A) the annuitant must be living on the effective date of the adjustment; and

(B) the date of death of the member of the retirement system must have been on or before August 31, 1994;

(3) is an alternate payee under Section 804.005, the annuitant is eligible for the adjustment only if the effective date of the election to receive the annuity payment was on or before August 31, 1994.

(d) An adjustment made under this section does not apply to payments under:

(1) Section 824.203(d), relating to retirees who receive a standard service retirement annuity in an amount fixed by statute;

(2) Section 824.304(a), relating to disability retirees with less than 10 years of service credit;

(3) Section 824.304(b)(2), relating to disability retirees who receive a disability annuity in an amount fixed by statute;

(4) Section 824.404(a), relating to active member survivor beneficiaries who receive a survivor annuity in an amount fixed by statute;

(5) Section 824.501(a), relating to retiree survivor beneficiaries who receive a survivor annuity in an amount fixed by statute; or

(6) Section 824.804(b), relating to participants in the deferred retirement option plan with regard to payments from their deferred retirement option plan accounts.

(e) An adjustment under this section:

(1) must be made beginning with an annuity payable for the month of September 2013; and

(2) is limited to the lesser of:

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

(B) \$100 a month.

(f) The board of trustees shall determine the eligibility for and the amount of any adjustment in monthly annuities in accordance with this section.

SECTION 3. Section 824.807, Government Code, is amended to read as follows:

Sec. 824.807. INTEREST. Interest is creditable to a member's account in the deferred retirement option account at an annual, prorated rate equal to two [~~five~~] percent during the period of participation in the plan and until all benefits are distributed.

SECTION 4. Subsection (b), Section 825.307, Government Code, is amended to read as follows:

(b) Interest on a member's contribution is earned monthly and computed at the rate of two [~~five~~] percent a year. Except as provided by Subsection (c), interest is computed based on the mean balance in the member's account during that fiscal year and shall be credited on August 31 of each year.

SECTION 5. Section 825.402, Government Code, is amended to read as follows:

Sec. 825.402. RATE OF MEMBER CONTRIBUTIONS. [~~(a)~~] The rate of contributions for each member of the retirement system is:

(1) five percent of the member's annual compensation or \$180, whichever is less, for service rendered after August 31, 1937, and before September 1, 1957;

(2) six percent of the first \$8,400 of the member's annual compensation for service rendered after August 31, 1957, and before September 1, 1969;

(3) six percent of the member's annual compensation for service rendered after August 31, 1969, and before the first day of the 1977-78 school year;

(4) 6.65 percent of the member's annual compensation for service rendered after the last day of the period described by Subdivision (3) and before September 1, 1985[~~, and~~]

(5) 6.4 percent of the member's annual compensation for service rendered after August 31, 1985, and before September 1, 2014; and

(6) for service rendered on or after September 1, 2014, the greater of:

(A) 6.4 percent of the member's annual compensation; or

(B) a percentage of the member's annual compensation equal to the state contribution rate, except that the member contribution may not exceed 6.9 percent [~~subject to Subsection (b)~~].

~~[(b) Subject to Subsection (c), the board of trustees may by order require that the rate of contributions for each member of the retirement system under Subsection (a) is increased to not more than 6.58 percent of the member's annual compensation for service~~

rendered after the date of the order if:

~~[(1) the legislature by law requires or authorizes the board of trustees to pay a supplemental payment to specified annuitants, and~~

~~[(2) the board of trustees finds, as of the time the payment is to be made, that after the payment is made the amortization period for the unfunded actuarial liabilities of the retirement system would exceed 30 years by one or more years.~~

~~[(c) Notwithstanding any other law, the board of trustees may not make a supplemental payment required or authorized by the legislature by law, and may not impose an increase in the rate of contributions under Subsection (b), if the board of trustees 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.~~

~~[(d) Notwithstanding any other law, the board of trustees may delay making a supplemental payment required or authorized by the legislature by law as necessary to make the determinations required under Subsections (b) and (c).]~~

SECTION 6. Subsection (a), Section 825.403, Government Code, is amended to read as follows:

(a) Each payroll period, each employer shall deduct from the compensation of each member employed by the employer the [an] amount required by Section 825.402 ~~[equal to 6.4 percent of the member's compensation for that period].~~

SECTION 7. Subchapter E, Chapter 825, Government Code, is amended by adding Section 825.4035 to read as follows:

Sec. 825.4035. EMPLOYER CONTRIBUTIONS FOR CERTAIN EMPLOYED MEMBERS FOR WHOM THE EMPLOYER IS NOT MAKING CONTRIBUTIONS TO THE FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM.

(a) This section:

(1) applies to an employer who reports to the retirement system under Section 825.403 the employment of a member for whom the employer is not making contributions to the federal Old-Age, Survivors, and Disability Insurance program; and

(2) does not apply to an employer that is an institution of higher education.

(b) Except as provided in Subsection (c), for each member the employer reports to the retirement system and for whom the employer is not making contributions to the federal Old-Age, Survivors and Disability Insurance program, the employer shall contribute monthly to the retirement system for each such member an amount equal to one percent of the member's compensation.

(c) If a member is entitled to the minimum salary for certain school personnel under Section 21.402, Education Code, or if a member would have been entitled to the minimum salary for certain school personnel under former Section 16.056, Education Code, as that section existed on January 1, 1995, the employer shall, in addition to any contributions required under Section 825.405, contribute monthly to the retirement system for each such member an amount equal to one percent of the statutory minimum salary determined under Section 825.405(b).

(d) Contributions under this section:

(1) are subject to the requirements of Section 825.408; and

(2) must be used to fund the normal cost of the retirement system.

SECTION 8. Subsection (a), Section 1575.158, Insurance Code, is amended to read as follows:

(a) Subject to Section 1575.1581, the [The] trustee may, in addition to providing a basic plan, contract for and make available an optional group health benefit plan for retirees, dependents, surviving spouses, or surviving dependent children.

SECTION 9. Subchapter D, Chapter 1575, Insurance Code, is amended by adding Section 1575.1581 to read as follows:

Sec. 1575.1581. LIMITATION ON ENROLLMENT IN OPTIONAL GROUP HEALTH BENEFIT PLAN. (a) A service retiree and any dependent of a service retiree are not eligible to participate in an optional group health benefit plan made available under Section 1575.158,

unless the retiree:

(1) is at least 62 years of age or older; and  
 (2) meets the definition of retiree under Section 1575.004(a)(1).

(b) A retiree subject to Subsection (a) may, on the date the retiree reaches 62 years of age, under rules adopted by the trustee:

(1) enroll in any coverage tier under the group program; and

(2) 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.

SECTION 10. The following provisions are repealed:

(a) Subsections (a-1) and (b-1), Section 824.202, Government Code; and

(b) Section 1579.103, Insurance Code.

SECTION 11. (a) Except as provided in this section, the changes in law made by this Act to Section 824.202, Government Code, do not apply to, and the former law is continued in effect for, a person who retires under the Teacher 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 age 50;

(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 25 years of service credit in the retirement system.

(b) Only service actually credited in the Teacher Retirement System of Texas, the Employees Retirement System of Texas, or a retirement system participating in the proportionate retirement program under Chapter 803, Government Code, on or before August 31, 2014, may be used to determine eligibility under Subsection (a)(2) and (3) of this section. Purchased service credit in the retirement system is:

(1) not considered actually credited in the retirement system for purposes of Subsection (a)(2) or (3) of this section, as applicable, 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; and

(2) considered actually credited in the retirement system for purposes of Subsection (a)(2) or (3) of this section, as applicable, if:

(A) payment in full for the purchase of service credit is made by a direct rollover or otherwise on or before August 31, 2014; or

(B) payment in full by direct rollover or otherwise is made after August 31, 2014, if:

(i) the member's request to purchase service credit occurred on or before August 31, 2014; and

(ii) payment to purchase the service credit is made in accordance with uniform administrative requirements, including payment deadlines, established by the retirement system.

(c) For members who meet the eligibility requirements of Subsection (a) of this section and who otherwise would be subject to Subsection (d-1), Section 824.202, as it formerly existed before being amended by this Act, instead of the five percent reduction for each year the member is less than age 60, the reduction will be two percent for each year the member is less than age 60.

SECTION 12. Section 824.807 and Subsection (b), Section 825.307, Government Code, as amended by this Act, apply only to interest accrued on or after the effective date of this Act. Interest accrued before the effective date of this Act is governed by the law in effect on the date the interest accrued, and that law is continued in effect for that purpose.

SECTION 13. (a) The change in law made by this Act to Chapter 1575, Insurance Code, does not apply to, and the former law is continued in effect for, a person who takes a service retirement under the Teacher Retirement System of Texas on or after September 1, 2014, and who meets one or more of the following requirements on

6-1 or before August 31, 2014:

6-2 (1) the sum of the person's age and amount of service

6-3 credit in the retirement system equals 70 or greater; or

6-4 (2) the person has at least 25 years of service credit

6-5 in the retirement system.

6-6 (b) Only service actually credited in the Teacher

6-7 Retirement System of Texas or the Employees Retirement System of

6-8 Texas on or before August 31, 2014, may be used to determine

6-9 eligibility under this section. Purchased service credit in the

6-10 retirement system is:

6-11 (1) not considered actually credited in the retirement

6-12 system for purposes of this section if the service credit is

6-13 established only after completion of an installment payment plan

6-14 under which any installment payment is required to be made after

6-15 August 31, 2014; and

6-16 (2) considered actually credited in the retirement

6-17 system for purposes of this section if:

6-18 (A) payment in full for the purchase of service

6-19 credit is made by a direct rollover or otherwise on or before August

6-20 31, 2014; or

6-21 (B) payment in full by direct rollover or

6-22 otherwise is made after August 31, 2014, if:

6-23 (i) the member's request to purchase

6-24 service credit occurred on or before August 31, 2014; and

6-25 (ii) payment to purchase the service credit

6-26 is made in accordance with uniform administrative requirements,

6-27 including payment deadlines, established by the retirement system.

6-28 SECTION 14. (a) Except as provided by Subsection (b) of

6-29 this section, this Act takes effect September 1, 2014.

6-30 (b) Section 824.702, Government Code, as added by this Act,

6-31 and the repeal by this Act of Section 1579.103, Insurance Code, take

6-32 effect September 1, 2013.

6-33 \* \* \* \* \*