

BILL ANALYSIS

C.S.H.B. 3897
By: Kuempel
Pensions
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Teacher Retirement System of Texas (TRS) delivers retirement and related benefits as authorized by law for TRS members and their beneficiaries. Interested parties contend that to comply with fiduciary standards, funds held in the TRS trust must be used exclusively for the benefit of members. In addition, the parties recognize a need to clarify the laws regulating TRS in order to provide for the efficient delivery of benefits. C.S.H.B. 3897 seeks to make necessary changes relating to benefits paid by TRS and to the administration of those benefits.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Teacher Retirement System of Texas in SECTION 37 of this bill.

ANALYSIS

C.S.H.B. 3897 amends the Education Code to specify that the requirement for a school district that does not participate in the program established under the Texas School Employees Uniform Group Health Coverage Act to make available to its employees certain group health coverage applies to employees whose coverage under the group program established under the Texas Public School Retired Employees Group Benefits Act has been suspended. The bill removes statutory provisions requiring the Teacher Retirement System of Texas (TRS) board of trustees to adopt rules for determining whether group health coverage provided by a school district that does not participate in the uniform group coverage program under the Texas School Employees Uniform Group Health Coverage Act is comparable to the basic group health coverage prescribed by statute. The bill removes the requirement that each school district biennially report to the executive director of TRS the district's compliance with statutory provisions requiring a school district to participate in the Texas school employees uniform group coverage program or make available to its employees group health coverage that meets certain criteria and instead requires each district that does not participate in the uniform group coverage program to prepare a report addressing such compliance. The bill removes the requirement that such a report include specified information as required by the executive director of TRS.

C.S.H.B. 3897 revises the definition of "employee," for purposes relating to health care supplementation for employees of school districts and certain other entities, to remove the condition that an individual be an active, contributing member of TRS employed by one of certain specified employers and instead add the condition that an individual be employed by one of those employers in a position eligible for membership in TRS based solely on that employment.

C.S.H.B. 3897 amends the Government Code to redefine "annual compensation," for purposes of provisions governing TRS, to mean the compensation to a TRS member for service during a 12-month period determined by TRS that is reportable and subject to contributions, rather than compensation to a TRS member for service during a school year that is reportable and subject to contributions. The bill specifies that membership in TRS may only be established through employment with a single employer on at least a half-time basis. The bill establishes that a person does not terminate membership in TRS based on a failure to qualify for service credit for five consecutive years if the person is employed by an employer covered by TRS and is not eligible for membership in TRS because the person is employed on less than a half-time basis. The bill replaces the specification that a person is not entitled to withdraw contributions if the person is employed, has applied for employment, or has received a promise of employment in a position covered by TRS with a specification that a person is not entitled to withdraw contributions if the person is employed, has applied for employment, or has received a promise of employment with an employer covered by TRS. The bill removes the authorization for TRS to limit the purchase of service credit to the extent required by applicable limits on the amount of annual contributions a TRS participant may make to certain qualified plans under federal law and instead requires TRS to limit such purchases. The bill prohibits a TRS member from purchasing more than five years of out-of-state service credit for service credit considered nonqualified service credit under the federal Internal Revenue Code of 1986.

C.S.H.B. 3897 includes an individual eligible to participate in the group program under the Texas Public School Retired Employees Group Benefits Act among the individuals who may authorize TRS to deduct the amount of the contribution and any other qualified health insurance premium from the individual's regular monthly service or disability retirement annuity payment under specified conditions. The bill clarifies that in order to change a certain optional retirement annuity to a standard retirement annuity after retirement, if the beneficiary of the optional annuity was the spouse of the retiree when the retiree designated the spouse as beneficiary of the optional annuity, the spouse or former spouse, as applicable, must sign a notarized consent to the change or a court with jurisdiction over the marriage of the retiree and beneficiary must approve or order the change. The bill clarifies that the change in plan selection takes effect when TRS receives the request to change the plan, provided the signed consent form or court order, as applicable, is subsequently received by TRS.

C.S.H.B. 3897 clarifies that the conditions under which a retiree receiving a certain optional retirement annuity may change the designated beneficiary after retirement if the beneficiary designated at the time of retirement is the spouse of the retiree at the time of the designation include approval of the change by a court with jurisdiction over the marriage. The bill entitles a designated beneficiary of a retiree receiving a certain optional retirement annuity that is designated as such after the retiree's retirement to receive, on the retiree's death, monthly payments of the survivor's portion of that annuity for the remainder of the beneficiary's life if the beneficiary designated at the time of the retiree's retirement is a trust and the beneficiary designated after the retiree's retirement is an individual who at the time of the retiree's death is the sole beneficiary of that trust.

C.S.H.B. 3897 authorizes the TRS board of trustees to accept on behalf of TRS gifts of money, services, or other property from any public or private source. The bill exempts from the application of state open meetings law an assembly of the board of trustees or one of the board's committees while attending a summit, conference, convention, workshop, or other event held for educational purposes if the assembly or committee does not deliberate, vote, or take action on a specific matter of public business or public policy over which the board or a committee of the board has supervision or control. The bill specifies that the exemption does not apply to a regular, special, or emergency meeting of the board scheduled or called under the board's bylaws.

C.S.H.B. 3897 exempts TRS from statutory provisions relating to the benefits of and restrictions

on state employees working out of state, relating to management-to-staff ratios, and relating to state employee sick leave pools to the extent the board of trustees determines an exemption is necessary for the performance of fiduciary duties. The bill establishes that all personal financial disclosures made by TRS employees under statutory provisions relating to the TRS ethics policy, including a rule or policy adopted under those provisions, are confidential and excepted from the requirement that public information be available to the public at a minimum during normal business hours.

C.S.H.B. 3897 conditions the specification that state open meetings law does not require the TRS board of trustees to confer with specified persons in an open meeting if the only purpose of the conference is to receive information from or question those persons relating to investment transactions or potential investment transactions on a majority of the board of trustees, in an open meeting held before conducting the closed meeting, voting that deliberating or conferring in an open meeting would have a detrimental effect on the position of TRS in negotiations with third parties or would put TRS at a competitive disadvantage in the market. The bill removes the specification that this exception from open meeting requirements applies to investment or potential investment by the board in a private investment fund.

C.S.H.B. 3897 requires TRS assets to be maintained and reported in a manner that reflects the source of the assets or the purpose for which the assets are held, using appropriate ledgers and subledgers, in accordance with generally accepted accounting principles prescribed by the Governmental Accounting Standards Board or its successor. The bill requires the maintenance and reporting of the assets to be in compliance with applicable tax law and consistent with any fiduciary duty owed with respect to the trust. The bill removes the requirement that TRS assets be credited to specified accounts according to the purpose for which they are held and instead authorizes the assets to be credited to those accounts as an alternative to maintaining and reporting the assets. The bill establishes that a requirement to deposit in or transfer assets from one of the accounts is satisfied by maintaining and reporting the assets in accordance with the bill's provisions.

C.S.H.B. 3897 sets out procedures for correcting errors made in employer reporting of a TRS member's service rendered or compensation paid and for establishing credit for that service or compensation if the error relates to service rendered or compensation paid in the current school year or in the preceding school year. The bill prohibits TRS from crediting service or compensation to a person in such manner in any school year before the preceding school year and restricts the applicability of certain existing requirements for establishing credit for unreported service or compensation to service rendered or compensation paid by a person in a school year before the preceding school year. The bill, in provisions requiring the payment of interest by an employer that fails to remit by a certain date all required member and employer deposits and documentation of the deposits, removes the requirement that interest be assessed on undocumented amounts and instead imposes on such an employer a late fee in an amount set by TRS, which may include an amount for each day the documentation is submitted after the prescribed deadline.

C.S.H.B. 3897 replaces the requirement that an employer who reports the employment of a retiree who is enrolled in the group program under the Texas Public School Retired Employees Group Benefits Act contribute to the retired school employees group insurance fund each payroll period any difference between the contribution amount the retiree is required to pay for the retiree and any enrolled dependents to participate in the program and the full cost of the retiree's and enrolled dependents' participation in the program, as determined by TRS. The bill instead requires such an employer to contribute to the fund an amount established by TRS and requires TRS, in determining the contribution amount, to consider the amount a retiree is required to pay for the retiree and any enrolled dependents to participate in the program and the cost of the retiree's and enrolled dependents' participation in the program.

C.S.H.B. 3897 removes statutory provisions restricting a TRS member's subsequent use of the

installment method or payroll deduction method for making payments to establish special service credit after having installment or payroll deduction payments refunded by TRS. The bill expands the requirement for a reporting district to cooperate with TRS in ascertaining a member's annual earnings during any year by including among the information to be ascertained a member's eligibility for membership in TRS, a member's employment status and hours and days worked during any year, and any other information TRS requires from the employer to administer the TRS benefit plan. The bill includes the determination of the propriety of employer reports, including demographic data, among the purposes for which the records of an employer concerning the employment and compensation of all its personnel are subject to examination by designated TRS representatives and specifies that those records are also subject to an audit for such purposes and for the purpose of determining the propriety of contributions or credits.

C.S.H.B. 3897 conditions the authorization to transfer an eligible portion of a rollover distribution occurring on or after January 1, 2007, to a qualified plan under a specified provision of the federal Internal Revenue Code of 1986 on the plan separately accounting for the amounts transferred and the earnings on amounts transferred and for the portion of the distribution that is includable in gross income and the portion of the distribution that is not includable in gross income. The bill includes food service workers among the positions for which an employer is required to provide certain information to TRS. The bill removes the requirement for the TRS board of trustees, in coordination with the Legislative Budget Board (LBB), to biennially certify to the comptroller of public accounts for review and adoption an estimate of the amount necessary to pay the state's contributions to TRS for the following biennium under statutory provisions relating to the optional retirement program and instead requires the Texas Higher Education Coordinating Board to make the certification in coordination with the LBB.

C.S.H.B. 3897 amends the Insurance Code to clarify the name of the Texas Public School Retired Employees Group Benefits Program. The bill requires the suspension of coverage under the group program for a retiree and the retiree's dependents during any period the retiree is eligible for and elects health benefit coverage under a plan provided under the Texas Employees Group Benefits Act or the State University Employees Uniform Insurance Benefits Act or during any period the retiree is employed by a public school and is, as a result of that employment, eligible for health benefit coverage offered by the public school. The bill requires a retiree and the retiree's dependents to remain enrolled in the group program during the period the retiree's coverage under the group program is suspended and requires the retiree and the retiree's eligible dependents to be reactivated at the time the retiree ceases to be covered under a plan provided under the Texas Employees Group Benefits Act or the State University Employees Uniform Insurance Benefits Act or terminates employment with or ceases to be eligible for health benefit coverage offered by a public school, as applicable. The bill requires TRS to adopt rules necessary to implement these provisions relating to suspension and reactivation of coverage under the group program.

C.S.H.B. 3897 clarifies that, for purposes of the Texas Public School Retired Employees Group Benefits Act, "retiree" means an individual who is not eligible, at the time of the individual's retirement, for coverage under the Texas Employees Group Benefits Act or the State University Employees Uniform Insurance Benefits Act and who meets other specified criteria. The bill adds an exception to the prohibition against the denial of coverage in a basic plan provided under the Texas Public School Retired Employees Group Benefits Act to a retiree who applies for coverage during an enrollment period if the retiree's coverage under the group program established under the act is suspended in accordance with the bill's provisions.

C.S.H.B. 3897 removes the requirement that an employer who reports to TRS the employment of a retiree who is enrolled in the group program under the Texas Public School Retired Employees Group Benefits Act contribute to the retired school employees group insurance fund each state fiscal year any difference between the contribution amount the retiree is required to pay for the retiree and any enrolled dependents to participate in the program and the full cost of the retiree's and enrolled dependents' participation in the program. The bill instead requires an employer who

reports to TRS the employment of a retiree who is enrolled in and receiving coverage under that group program to contribute to the fund an amount established by TRS and requires TRS, in determining the contribution amount, to consider the amount a retiree is required to pay for the retiree and any enrolled dependents to participate in the program and the cost of all retirees' and enrolled dependents' participation in the program. The bill clarifies that if more than one employer reports the retiree to TRS during a month, the amount of the required contribution is required to be prorated among the employers. The bill removes the conditions on the authority of TRS to grant a waiver of the deadline for remitting all contributions required under the Texas Public School Retired Employees Group Benefits Act and removes the specification that the interest assessed on late payment of deposits under that act is compounded monthly.

C.S.H.B. 3897 removes statutory language restricting eligibility to participate in the program under the Texas School Employees Uniform Group Health Coverage Act to participating members in TRS and redefines "employee" for purposes of that act by replacing the condition that an individual be a participating TRS member who is employed by a participating entity with the condition that an individual be regularly employed by a participating entity for an average of at least 10 hours per week. The bill removes the condition that an employee be an active employee in order for the employee's contributions under the act to be exempt from execution, attachment, garnishment or any other process. The bill removes from the employees exempted from automatic coverage under the catastrophic care coverage plan an employee who specifically waives coverage under the act. The bill removes language restricting the specification that a part-time employee who is not a participating member in TRS is eligible to participate in the program only if the employee pays all of the premiums and other costs associated with the selected health coverage plan to part-time employees who are not participating members in TRS.

C.S.H.B. 3897 changes from the seventh day after the last day of the month to the 16th day of the month the day before which a participating entity must remit to TRS contributions required under the Texas School Employees Uniform Group Health Coverage Act, failing which the entity is subject to an assessment of interest. The bill removes the conditions on the authority of TRS to grant a waiver of that deadline and removes the specification that interest is compounded monthly.

C.S.H.B. 3897 clarifies that "participating employee," as that term relates to statutory provisions governing employer expenditures for school employee health coverage plans, includes an employee whose coverage under the group program established under the Texas Public School Retired Employees Group Benefits Act has been suspended. The bill requires each school district and other educational district whose employees are TRS members, participating charter school, and regional education service center to annually report to TRS, under rules adopted by TRS, the monthly amount each contributes toward the payment of health coverage under such statutory provisions.

C.S.H.B. 3897 repeals a Government Code provision prohibiting the adjustment, in determining the amount necessary to pay the state's contributions to TRS, of the number of qualifying employees whose compensation may be included for each public junior college or public junior college district in each biennium in a proportion greater than the change in student enrollment at each college during the reporting period. The bill repeals an Insurance Code provision requiring TRS to submit to the comptroller and the LBB every six months a report regarding any cost savings achieved under the uniform group coverage program under the Texas School Employees Uniform Group Health Coverage Act through the implementation of a prior authorization requirement for coverage of certain drugs. The changes made by the bill to provisions defining the term "annual compensation" apply only to a TRS member who retires or dies on or after the bill's effective date. The changes made by the bill to provisions relating to certain employer contributions for an employed retiree who is enrolled in the Texas Public School Employees Group Insurance Program apply to a retiree of TRS regardless of whether the person retired from employment before, on, or after the bill's effective date.

C.S.H.B. 3897 repeals the following statutory provisions:

- Section 825.404(b-1), Government Code
- Section 1579.106(c), Insurance Code

EFFECTIVE DATE

September 1, 2015.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 3897 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

(See SECTION 23 below.)

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Sections 22.004(b) and (d), Education Code, are amended to read as follows:

(b) A district that does not participate in the program described by Subsection (a) shall make available to its employees, including employees whose coverage under the group program established under Chapter 1575, Insurance Code, has been suspended, group health coverage provided by a risk pool established by one or more school districts under Chapter 172, Local Government Code, or under a policy of insurance or group contract issued by an insurer, a company subject to Chapter 842, Insurance Code, or a health maintenance organization under Chapter 843, Insurance Code. The coverage must meet the substantive coverage requirements of Chapter 1251, Subchapter A, Chapter 1364, and Subchapter A, Chapter 1366, Insurance Code, and any other law applicable to group health insurance policies or contracts issued in this state. The coverage must include major medical treatment but may exclude experimental procedures. In this subsection, "major medical treatment" means a medical, surgical, or diagnostic procedure for illness or injury. The coverage may include managed care or preventive care and must be comparable to the basic health coverage provided under Chapter 1551, Insurance Code. ~~The [board of trustees of the Teacher Retirement System of Texas shall adopt rules to determine whether a school district's group health coverage is comparable to the basic health coverage specified by this~~

~~subsection. The rules must provide for consideration of the~~ following factors shall be considered ~~[concerning the district's coverage]~~ in determining whether a school ~~[the]~~ district's coverage is comparable to the basic health coverage specified by this subsection:

- (1) the deductible amount for service provided inside and outside of the network;
- (2) the coinsurance percentages for service provided inside and outside of the network;
- (3) the maximum amount of coinsurance payments a covered person is required to pay;
- (4) the amount of the copayment for an office visit;
- (5) the schedule of benefits and the scope of coverage;
- (6) the lifetime maximum benefit amount; and
- (7) verification that the coverage is issued by a provider licensed to do business in this state by the Texas Department of Insurance or is provided by a risk pool authorized under Chapter 172, Local Government Code, or that a district is capable of covering the assumed liabilities in the case of coverage provided through district self-insurance.

~~(d) Each district [shall report the district's compliance with this section to the executive director of the Teacher Retirement System of Texas not later than March 1 of each even-numbered year in the manner required by the board of trustees of the Teacher Retirement System of Texas. For a district]~~ that does not participate in the program described by Subsection (a) shall prepare a report addressing the district's compliance with this section. ~~The [the]~~ report must be available for review, together with the policy or contract for the group health coverage plan, at the central administrative office of each campus in the district and be posted on the district's Internet website if the district maintains a website, must be based on the district group health coverage plan in effect during the current plan year, and must include:

- (1) appropriate documentation of:
 - (A) the district's contract for group health coverage with a provider licensed to do business in this state by the Texas Department of Insurance or a risk pool authorized under Chapter 172, Local

Government Code; or
(B) a resolution of the board of trustees of the district authorizing a self-insurance plan for district employees and of the district's review of district ability to cover the liability assumed;
(2) the schedule of benefits;
(3) the premium rate sheet, including the amount paid by the district and employee;
(4) the number of employees covered by the health coverage plan offered by the district; and
(5) information concerning the ease of completing the report~~[-as required by the executive director of the Teacher Retirement System of Texas; and~~
~~[(6) any other information considered appropriate by the executive director of the Teacher Retirement System of Texas].~~

No equivalent provision.

SECTION 2. Section 22.101(2), Education Code, is amended to read as follows:
(2) "Employee" means an individual who:
(A) is employed by one of the following employers in a position eligible for membership in [active, contributing member of] the Teacher Retirement System of Texas based solely on that employment [who]:
(i) ~~[(A) is employed by]~~ a school district; [;]
(ii) another ~~[other]~~ educational district whose employees are members of the Teacher Retirement System of Texas; [;]
(iii) a participating charter school; [;] or
(iv) a regional education service center;
(B) ~~[is not a retiree eligible for coverage under the program established under Chapter 1575, Insurance Code;~~
~~[(C)]~~ is not eligible for coverage authorized [by a group insurance program] under Chapter 1551, 1575, or 1601, Insurance Code; and
(C) ~~[(D)]~~ is not ~~[an individual]~~ performing ~~[personal services]~~ for the employer [a district, other educational district that is a member of the Teacher Retirement System of Texas, participating charter school, or regional education service center] as an independent contractor services that are used to establish eligibility for health care supplementation under this subchapter.

No equivalent provision.

SECTION 3. Section 42.260(c), Education Code, is amended to read as follows:

(c) Notwithstanding any other provision of this code, a school district or participating charter school may use the following amount of funds only to pay contributions under a group health coverage plan for district or school employees:

(1) an amount equal to 75 percent of the amount certified for the district or school under Subsection (b); or

(2) if the following amount is less than the amount specified by Subdivision (1), the sum of:

(A) the amount determined by multiplying the amount of \$900 or the amount specified in the General Appropriations Act for that year for purposes of the state contribution under Section 1579.251 [~~9, Article 3.50-7~~], Insurance Code, by the number of district or school employees who participate in a group health coverage plan provided by or through the district or school; and

(B) the difference between the amount necessary for the district or school to comply with Section 1581.052 [~~Section 3, Article 3.50-9~~], Insurance Code, for the school year and the amount the district or school is required to use to provide health coverage under Section 1581.051, Insurance Code, [~~2 of that article~~] for that year.

SECTION 1. SECTION 821.001(6), Government Code, is amended to read as follows:

(6) "Employee" means a person who is employed, as determined by the retirement system, on other than a temporary basis by ~~an~~ one employer for at least one-half time at a regular rate of pay comparable to that of other persons employed in similar positions.

SECTION 2. Section 822.001, Government Code, is amended by adding Subsection (g) to read as follows:

(g) Eligibility for membership in the retirement system must be established

SECTION 4. Sections 821.001(4) and (6), Government Code, are amended to read as follows:

(4) "Annual compensation" means the compensation to a member of the retirement system for service during a 12-month period determined by the retirement system [~~school year~~] that is reportable and subject to contributions as provided by Section 822.201.

(6) "Employee" means a person who is employed, as determined by the retirement system, on other than a temporary basis by a single ~~an~~ employer for at least one-half time at a regular rate of pay comparable to that of other persons employed in similar positions.

SECTION 5. Section 822.001, Government Code, is amended by adding Subsection (c) to read as follows:

(c) Membership in the retirement system may only be established through

through employment with a single employer.

No equivalent provision.

No equivalent provision.

SECTION 3. Section 822.201(b)(11), Government Code, is amended.

SECTION 4. Section 823.006, Government Code, is amended.

SECTION 5. Section 823.401, Government Code, is amended by amending Subsection (f) to read as follows:

(f) The amount of service credit a member may establish under this section may not exceed the lesser of the number of years of membership service credit the member has in the retirement system for actual service in public schools or 15 years; provided, however, that if any service credit established by a member under this section

employment with a single employer on at least a half-time basis.

SECTION 6. Section 822.003(c), Government Code, is amended to read as follows:

(c) A person does not terminate membership under Subsection (a)(4) if the person:

(1) is performing military service creditable in the retirement system;

(2) is on leave of absence from employment in a public school; ~~[or]~~

(3) is earning service credit in another retirement system covered by Chapter 803 or 805; or

(4) is employed by an employer covered by the retirement system and is not eligible for membership in the retirement system because the person is employed on less than a half-time basis.

SECTION 7. Section 822.005(c), Government Code, is amended to read as follows:

(c) A person is not entitled to withdraw contributions if the person ~~[who]~~ is employed, has applied for employment, or has received a promise of employment with an employer ~~[, in a position]~~ covered by the retirement system.

SECTION 8. Substantially the same as introduced version.

SECTION 9. Substantially the same as introduced version.

SECTION 10. Section 823.401, Government Code, is amended by amending Subsection (f) and adding Subsection (f-1) to read as follows:

(f) Except as provided by Subsection (f-1), ~~the~~ ~~[The]~~ amount of service credit a member may establish under this section may not exceed the lesser of the number of years of membership service credit the member has in the retirement system for actual service in public schools or 15 years.

(f-1) A member may not purchase more than five years of service credit under this

is considered nonqualified service credit, the amount of nonqualified service credit a member may establish may not exceed 5 years.

No equivalent provision.

SECTION 6. Section 824.1012, Government Code, is amended by amending Subsection (a) to read as follows:

(a) As an exception to Section 824.101(c), a retiree who selected an optional service retirement annuity under Section 824.204(c)(1), (c)(2), or (c)(5) or an optional disability retirement annuity under Section 824.308(c)(1), (c)(2), or (c)(5) and who has received at least one payment under the plan selected may change the optional annuity selection made by the retiree to a standard service or disability retirement annuity as provided for in this section. If the beneficiary of the optional annuity was [is] the spouse [~~or former spouse~~] of the retiree[-] when the retiree designated the spouse as beneficiary of the optional annuity, to change from the optional annuity

section for service credit considered nonqualified service credit under Section 415(n)(3), Internal Revenue Code of 1986.

SECTION 11. Sections 824.007(a) and (b), Government Code, are amended to read as follows:

(a) In this section, "program administrator" means the person who administers:

(1) the uniform program under Section 1601.102, Insurance Code; or

(2) the group program under Chapter 1575, Insurance Code.

(b) An individual eligible to participate in the uniform program under Section 1601.102, Insurance Code, or the group program under Chapter 1575, Insurance Code, may authorize the retirement system to deduct the amount of the contribution and any other qualified health insurance premium from the individual's regular monthly service or disability retirement annuity payment if the individual is:

(1) eligible to receive a monthly annuity from the retirement system greater than the amount of the authorized deduction; and

(2) eligible under Section 402(l), Internal Revenue Code of 1986, or a similar law, to elect to exclude from annual gross income up to \$3,000 of distributions from an eligible retirement plan used for qualified health insurance premiums.

SECTION 12. Section 824.1012(a), Government Code, is amended to read as follows:

(a) As an exception to Section 824.101(c), a retiree who selected an optional service retirement annuity under Section 824.204(c)(1), (c)(2), or (c)(5) or an optional disability retirement annuity under Section 824.308(c)(1), (c)(2), or (c)(5) and who has received at least one payment under the plan selected may change the optional annuity selection made by the retiree to a standard service or disability retirement annuity as provided for in this section. If the beneficiary of the optional annuity was [is] the spouse [~~or former spouse~~] of the retiree when the retiree designated the spouse as beneficiary of the optional annuity, to change from the optional annuity

to a standard retirement annuity, the spouse or former spouse who was designated the beneficiary of the optional annuity must sign a notarized consent to the change, or a court with jurisdiction over the marriage of ~~[a divorce proceeding involving]~~ the retiree and beneficiary must approve or order the change ~~[in the divorce decree or acceptance of a property settlement]~~. The change in plan selection takes effect when the retirement system receives the request to change retirement plan, [‡] provided the signed consent form or court order are subsequently received.

SECTION 7. Section 824.1013, Government Code, is amended by amending Subsections (b) and (c-1) to read as follows:

(b) If the beneficiary designated at the time of the retiree's retirement is the spouse of the retiree at the time of the designation:

- (1) the spouse must give written, notarized consent to the change;
- (2) if the parties divorce after the designation, the former spouse who was designated beneficiary must give written, notarized consent to the change; or
- (3) a court with jurisdiction over the marriage must approve or [have] order[ed] the change.

(c) A beneficiary designated under this section is entitled on the retiree's death to receive monthly payments of the survivor's portion of the retiree's optional retirement annuity for the shorter of:

- (1) the remainder of the life expectancy of the beneficiary designated as of the effective date of the retiree's retirement; or
- (2) the remainder of the new beneficiary's life.

(c-1) Notwithstanding Subsection (c), a beneficiary designated under this section is entitled on the retiree's death to receive monthly payments of the survivor's portion of the retiree's optional retirement annuity for the remainder of the beneficiary's life if the beneficiary designated at the time of the retiree's retirement is a trust and the beneficiary designated under this section is the sole beneficiary of that trust or the beneficiary designated at the time of the retiree's retirement was an individual who is

to a standard retirement annuity under this subsection, the spouse or former spouse, as applicable, who was designated ~~[;]~~ the beneficiary of the optional annuity must sign a notarized consent to the change~~[;]~~ or a court with jurisdiction over the marriage of ~~[in a divorce proceeding involving]~~ the retiree and beneficiary must approve or order the change ~~[in the divorce decree or acceptance of a property settlement]~~. The change in plan selection takes effect when the retirement system receives the request to change the plan, provided the signed consent form or court order, as applicable, is subsequently received by the retirement system [‡].

SECTION 13. Sections 824.1013(b) and (c-1), Government Code, are amended to read as follows:

(b) If the beneficiary designated at the time of the retiree's retirement is the spouse of the retiree at the time of the designation:

- (1) the spouse must give written, notarized consent to the change;
- (2) if the parties divorce after the designation, the former spouse who was designated beneficiary must give written, notarized consent to the change; or
- (3) a court with jurisdiction over the marriage must approve or order [have ordered] the change.

(c-1) Notwithstanding Subsection (c), a beneficiary designated under this section is entitled on the retiree's death to receive monthly payments of the survivor's portion of the retiree's optional retirement annuity for the remainder of the beneficiary's life if the beneficiary designated at the time of the retiree's retirement is a trust and the beneficiary designated under this section is:

- (1) the sole beneficiary of that trust; or
- (2) an individual who at the time of the retiree's death is the sole beneficiary of that

the sole beneficiary of a trust that is designated under this section to receive the survivor's portion of the retiree's optional retirement annuity.

trust.

SECTION 8. Section 825.004, Government Code, is amended by adding Subsection (c) to read as follows:

No equivalent provision.

(a) Members of the board of trustees hold office for terms of six years.

(b) A vacancy in the office of a trustee shall be filled for the unexpired term in the same manner that the office was previously filled.

(c) A trustee appointed under Section 825.002(c) or (e) who at the time of appointment to a position on the board of trustees is currently employed by a public school district, a charter school, regional education service center or an institution of higher education is not disqualified from filling the remaining term of office based solely on the trustee's subsequent retirement and receipt of benefits from the retirement system provided there is at least one trustee on the board that is an active, contributing member of TRS.

No equivalent provision.

SECTION 14. Section 825.103, Government Code, is amended by adding Subsection (h) to read as follows:

(h) The board of trustees may accept on behalf of the retirement system gifts of money, services, or other property from any public or private source.

SECTION 9. Section 825.115, Government Code, is amended by adding Subsection (f) to read as follows:

SECTION 15. Section 825.115, Government Code, is amended by adding Subsection (f) to read as follows:

(f) Notwithstanding any other law, Chapter 551 does not apply to an assembly of the board of trustees or one of its committees at a summit, conference, convention, workshop, or other event held for educational purposes and not for the purpose of deliberating, voting, or taking action on a specific matter of public business or public policy over which the board of trustees or a committee of the board has supervision or control. This subsection does not apply to a regular, special or emergency meeting of the board of trustees scheduled or called pursuant to

(f) Notwithstanding any other law, Chapter 551 does not apply to an assembly of the board of trustees or one of the board's committees while attending a summit, conference, convention, workshop, or other event held for educational purposes if the assembly or committee does not deliberate, vote, or take action on a specific matter of public business or public policy over which the board of trustees or a committee of the board has supervision or control. This subsection does not apply to a regular, special, or emergency meeting of the board of trustees scheduled or called under the

the board's bylaws.

SECTION 10. Section 825.208(b), Government Code, is amended.

SECTION 11. Section 825.212, Government Code, is amended by adding Subsection (d) to read as follows:

(d) Notwithstanding any other law, all personal financial disclosures made by employees of the retirement system under this section or a rule or policy adopted under this section are confidential and excepted from the requirements of Section 552.021.

SECTION 12. Section 825.3011(b), Government Code, is amended.

SECTION 13. Section 825.306, Government Code, is amended to read as follows:

The assets of the retirement system shall be maintained and reported in a manner that reflects the source of the funds or the purpose for which the funds are held and

in accordance with Governmental Accounting Standards Board guidance or its successor in determining governmental generally accepted accounting principles. Financial accounting and the appropriate sub-ledgers necessary to support reporting based on generally accepted accounting principles, comply with relevant tax laws and fulfill the fiduciary responsibilities of the trust shall be utilized. In the alternative, the assets may be credited, according to the purpose for which they are held, to one of the following accounts:

- (1) member savings account;
- (2) state contribution account;
- (3) retired reserve account;
- (4) interest account;
- (5) expense account; or
- (6) deferred retirement option account.

Other laws notwithstanding, a requirement to deposit in or transfer money or assets from one of the accounts identified in this section shall be satisfied by maintaining and

board's bylaws.

SECTION 16. Substantially the same as introduced version.

SECTION 17. Section 825.212, Government Code, is amended by adding Subsection (d) to read as follows:

(d) Notwithstanding any other law, all personal financial disclosures made by employees of the retirement system under this section, including a rule or policy adopted under this section, are confidential and excepted from the requirements of Section 552.021.

SECTION 18. Substantially the same as introduced version.

SECTION 19. Section 825.306, Government Code, is amended to read as follows:

Sec. 825.306. CREDITING SYSTEM ASSETS. (a) The assets of the retirement system shall be maintained and reported in a manner that reflects the source of the assets or the purpose for which the assets are held, using appropriate ledgers and subledgers, in accordance with generally accepted accounting principles prescribed by the Governmental Accounting Standards Board or its successor.

In addition, the maintenance and reporting of the assets must be in compliance with applicable tax law and consistent with any fiduciary duty owed with respect to the trust.

In the alternative, the assets may be credited, according to the purpose for which they are held, to one of the following accounts:

- (1) member savings account;
- (2) state contribution account;
- (3) retired reserve account;
- (4) interest account;
- (5) expense account; or
- (6) deferred retirement option account.

(b) Notwithstanding any other law, a requirement to deposit in or transfer assets from one of the accounts described under Subsection (a) is satisfied by maintaining

reporting the assets in accordance with this section.

No equivalent provision.

SECTION 14. Section 825.403(h), Government Code, is amended to read as follows:

(h) If deductions were previously required but not paid, the retirement system may not provide benefits based on the service or compensation unless the deposits required by this section have been fully paid.

If due to an error, an employer does not report all service rendered and/or compensation paid as required in this section and the error regards service rendered and/or compensation paid in the current school year, the error may be corrected by submitting

a corrected report and the contributions on the unreported service or compensation as directed by the retirement system and any interest due under Section 825.408 from the month the service or compensation should have been reported to the retirement system until the month it is paid.

If due to an error, an employer does not report all service rendered and/or compensation paid as required in this section and the error regards service rendered and/or compensation paid in the immediately preceding school year, the error may be corrected if the following

and reporting the assets in accordance with that subsection.

SECTION 20. Section 825.312(a), Government Code, is amended to read as follows:

(a) The retirement system shall deposit in the expense account:

- (1) money transferred from the interest account under Section 825.313(d); and
- (2) money received from the Texas Public School Retired Employees Group Benefits [Insurance] Program for service performed for the program by the retirement system.

SECTION 21. Section 825.403, Government Code, is amended by amending Subsections (h) and (j) and adding Subsections (h-1), (h-2), (h-3), and (h-4) to read as follows:

(h) Subject to Subsections (h-1), (h-2), (h-3), and (h-4), if [H] deductions were previously required but not paid, the retirement system may not provide benefits based on the service or compensation unless the deposits required by this section have been fully paid.

(h-1) If, due to an error, an employer does not report to the retirement system all service rendered or compensation paid as required by this section and the error relates to service rendered or compensation paid in:

- (1) the current school year, the error may be corrected by submitting to the retirement system in the manner prescribed by the retirement system:
 - (A) a corrected report; and
 - (B) contributions on the unreported service or compensation, plus interest at the rate provided under Section 825.408, computed from the report month the service or compensation should have been reported to the retirement system to the date the contributions related to that service or compensation are submitted to the retirement system; or
- (2)

the preceding school year, the error may be corrected if the following requirements are

requirements are met:

(1) the person for whom contributions were due is currently employed by the employer and compensation for the current year remains due to the employee;

(2) the employer requests a waiver of the reporting requirements under Section 825.408 (a), Government Code and the request is granted by the retirement system;

(3) the employer

submits member contributions on the unreported amounts pursuant to Section 825.409, Government Code, from any remaining compensation due and any employer contributions due on the compensation are paid by the employer;

(4) the employer pays the interest required by Section 825.408, Government Code and

corrects the records for the report months in which the compensation was paid as directed by the retirement system; and

(5) the error is corrected by the end of the school year following the school year in which the service was rendered and/or the compensation was paid.

Upon receipt of the member and employer contributions and the corrected report(s), the service credit and/or compensation credit will be credited to the member.

In no event may service or compensation credit be established in this manner for service rendered or compensation received in a school year prior to the immediately preceding school year.

If the service was rendered or the compensation paid in a school year prior to the immediately preceding school year, the person's employer at the time the unreported service was rendered or compensation was paid must verify the service or compensation as required by Subsection (j) and the person must submit the verification to the retirement system not later than five years after the end of the school year in which the service was rendered or compensation was paid. To establish the

met:

(A) the person for whom contributions are due is employed by the employer and the employer owes the person compensation payable in the current year;

(B) the employer requests from the retirement system a waiver of the documentation requirements under Section 825.408(a) and the request is granted by the retirement system;

(C) the employer, in the manner prescribed by the retirement system:

(i) submits to the retirement system member contributions on the unreported service or compensation in the manner provided by Section 825.409 by making the corresponding reduction in the compensation owed to the person;

(ii) submits to the retirement system any employer contributions due on the compensation;

(iii) pays the interest on the contributions described by Subparagraphs (i) and (ii) at the rate provided by Section 825.408; and

(iv) corrects the records relating to the report months in which the service or compensation are at issue; and

(D) the error is corrected in accordance with this subsection not later than the final day of the school year following the school year in which the service or compensation at issue was rendered or paid, as applicable.

(h-2) On receipt of the member and employer contributions and the corrected reports under Subsection (h-1), the retirement system shall credit the service or compensation, as applicable, to the person.

(h-3) The retirement system may not credit service or compensation to a person in the manner provided by Subsections (h-1) and (h-2) for service rendered or compensation received by the person in any school year before the preceding school year.

If service is rendered or compensation paid by a person in a school year before the preceding school year, the [The] person's employer at the time the unreported service was rendered or compensation was paid must verify the service or compensation as required by Subsection (j) and the person must submit the verification to the retirement system not later than five years after the end of the school year in which the service was rendered or compensation was paid. To establish the service or

service or compensation credit, the person must deposit with the retirement system the member contributions that were due on the compensation plus two percent per year from the year in which the service was rendered or the compensation was paid and the employer must pay the actuarial present value, at the time of deposit, of the additional standard retirement annuity benefits that would be attributable to the purchase of service or compensation credit under this section, based on rates and tables recommended by the retirement system's actuary and adopted by the board of trustees less the member contributions and interest paid by the member under this subsection.

The board of trustees shall:

(1) prescribe terms for payments under this subsection; and

(2) credit the person for prior service to which the person is entitled under this subtitle.

SECTION 15. Section 825.408, Government Code, is amended by amending Subsection (a) and adding Subsection (c) to read as follows:

(a) Except as provided in Subsection (c) of this section, a[A]n employer that fails to remit, before the seventh day after the last day of a month, all member and employer deposits and documentation of the deposits required by this subchapter to be remitted by

compensation credit, the person must deposit with the retirement system the actuarial present value, at the time of deposit, of the additional standard retirement annuity benefits that would be attributable to the purchase of service or compensation credit under this section, based on rates and tables recommended by the retirement system's actuary and adopted by the board of trustees.

(h-4) The board of trustees shall:

(1) prescribe terms for payments under Subsections (h-1), (h-2), and (h-3) [~~this subsection~~]; and

(2) credit the person for prior service and compensation to which the person is entitled under this subtitle.

(j) Except as otherwise provided by this section, if [H] deductions were previously required but not paid, proof of service satisfactory to the retirement system must be made before service credit is granted or payment for the credit is required. Proof of service is sufficient if the person's employer documents that the employer has records made at or near the time of service that establish the amount of time worked and salary earned. An affidavit based on memory without written records made at or near the time of service is not sufficient documentation for the establishment of service credit. The retirement system may audit records used for documentation under this subsection. A person who does not obtain proof of service as required by this section may not establish the service or compensation credit.

SECTION 22. Section 825.408(a), Government Code, is amended to read as follows:

(a) An employer that fails to remit, before the seventh day after the last day of a month, all member and employer deposits and documentation of the deposits required by this subchapter to be remitted by the

the employer for the month shall pay to the retirement system, in addition to the deposits, interest on the unpaid [~~or undocumented~~] amounts at an annual rate [~~compounded monthly~~] and shall pay a late fee for each day after the date required in this subsection that the documentation of the deposits is not filed.

The rate of interest is the rate established under Section 825.313 (b)(1), plus two percent. Interest required under this section is creditable to the interest account. The late fee for the unfiled documentation is an amount set by the retirement system. On request, the retirement system may grant a waiver of the deadline imposed by this subsection based on an employer's financial or technological resources.

(c) An employer that fails to report all service or compensation as required in Section 825.403 and fails or is unable to correct the error in the school year the service was rendered or the compensation was paid or in the school year immediately following the school year in which the service was rendered or the compensation was paid must verify the service at the request of the member as required in Section 825.403 and upon receipt by the retirement system of the required amounts from the member, must submit the actuarial present value, at the time of deposit, of the additional standard retirement annuity benefits that would be attributable to the purchase of service or compensation credit, as determined by the retirement system less the member contributions and interest paid by the member.

SECTION 16. Section 825.4092(c), Government Code, is amended to read as follows:

(c) Except as provided by Subsection (e), each payroll period, for each retiree who is enrolled in the Texas Public School Employees Group Insurance Program under Chapter 1575, Insurance Code, the employer who reports the employment of a retiree shall contribute to the trust fund established under that chapter an amount established by the retirement system. In determining the

employer for the month shall pay to the retirement system, in addition to the deposits, interest on the unpaid [~~or undocumented~~] amounts at an annual rate prescribed by this subsection and a late fee in an amount determined by the retirement system, which may include an amount for each day the documentation is submitted after the deadline imposed by this subsection [~~compounded monthly~~].

The rate of interest is the rate established under Section 825.313(b)(1), plus two percent. Interest required under this subsection [~~section~~] is creditable to the interest account. The [~~On request, the~~] retirement system may grant a waiver of the deadline imposed by this subsection based on an employer's financial or technological resources.

SECTION 23. Section 825.4092(c), Government Code, is amended to read as follows:

(c) Except as provided by Subsection (e), each payroll period, for each retiree who is enrolled in the Texas Public School Employees Group Insurance Program under Chapter 1575, Insurance Code, the employer who reports the employment of a retiree shall contribute to the trust fund established under that chapter an amount established by the retirement system. In determining the

amount to be contributed by the employer under this subsection, the retirement system shall consider [any difference between] the amount a [the] retiree is required to pay for the retiree and any enrolled dependents to participate in the group program and the [full] cost of ~~all [the retiree's] retirees'~~ and enrolled dependents' participation in the group program[~~, as determined by the retirement system~~]. If more than one employer reports the retiree to the retirement system during a month, the amount of the required payment shall be prorated among the employers.

SECTION 17. Section 825.410(a), Government Code, is amended.

No equivalent provision.

SECTION 18. Section 825.505, Government Code, is amended.

SECTION 19. Section 825.508(b) Government Code, is amended to read as follows:

(b) The system must honor a power of attorney executed in accordance with Chapter 752, Section 752.051, Estates Code[~~Chapter XII, Section 490, Texas Probate Code~~].

SECTION 20. Section 825.509(b-1)(3), Government Code, is amended to read as

amount to be contributed by the employer under this subsection, the retirement system shall consider [any difference between] the amount a [the] retiree is required to pay for the retiree and any enrolled dependents to participate in the group program and the [full] cost of ~~the retiree's~~ and enrolled dependents' participation in the group program[~~, as determined by the retirement system~~]. If more than one employer reports the retiree to the retirement system during a month, the amount of the required payment shall be prorated among the employers.

SECTION 24. Same as introduced version.

SECTION 25. Section 825.504, Government Code, is amended by amending Subsection (c) and adding Subsection (d) to read as follows:

(c) Each reporting district shall cooperate with the retirement system in ascertaining:

(1) a member's eligibility for membership in the retirement system;

(2) a member's annual earnings, employment status, and hours and days worked during any year; and

(3) any other information the retirement system requires from the employer to administer the retirement system's benefit plan.

(d) The board of trustees by rule may prescribe the form of and procedures for filing certifications required by this section.

SECTION 26. Substantially the same as introduced version.

SECTION 27. Section 825.508(b), Government Code, is amended to read as follows:

(b) The system must honor a power of attorney executed in accordance with Chapter 752, Estates [~~Chapter XII, Section 490, Texas Probate~~] Code.

SECTION 28. Section 825.509(b-1), Government Code, is amended to read as

follows:

(b-1) Notwithstanding Subsection (b)(3), with respect to a distribution made on or after January 1, 2002, an otherwise eligible portion of a rollover distribution that consists of after-tax employee contributions not includable in gross income is an eligible rollover distribution for purposes of this section. The eligible portion may be transferred only:

(3) for distributions occurring on or after January 1, 2007, to a qualified plan described by Section 401(a), Internal Revenue Code of 1986 provided the plan agrees to separately account for amounts transferred and earnings on amounts transferred, including for the portion of the distribution that is includable in gross income and the portion of the distribution that is not includable in gross income; or

SECTION 21. Section 825.515(a), Government Code, is amended.

SECTION 22. Section 830.201(h), Government Code, is amended.

SECTION 23. Section 22.004(b) and (d), Education Code, are amended to read as follows:

(b) A district that does not participate in the program described by Subsection (a) shall make available to its employees group health coverage provided by a risk pool established by one or more school districts under Chapter 172, Local Government

follows:

(b-1) Notwithstanding Subsection (b)(3), with respect to a distribution made on or after January 1, 2002, an otherwise eligible portion of a rollover distribution that consists of after-tax employee contributions not includable in gross income is an eligible rollover distribution for purposes of this section. The eligible portion may be transferred only:

(1) to an individual retirement account or annuity described by Section 408(a) or (b), Internal Revenue Code of 1986;

(2) to a qualified plan described by Section 403(a), Internal Revenue Code of 1986;

(3) for distributions occurring on or after January 1, 2007, to a qualified plan described by Section 401(a), Internal Revenue Code of 1986, if the plan separately accounts for:

(A) the amounts transferred and the earnings on amounts transferred; and

(B) the portion of the distribution that is includable in gross income and the portion of the distribution that is not includable in gross income; or

(4) to an annuity contract described by Section 403(b), Internal Revenue Code of 1986, that agrees to separately account for amounts transferred and earnings on amounts transferred, including for the portion of the distribution that is includable in gross income and the portion of the distribution that is not includable in gross income.

SECTION 29. Same as introduced version.

SECTION 30. Same as introduced version.

(See SECTION 1 above.)

Code, or under a policy of insurance or group contract issued by an insurer, a company subject to Chapter 842, Insurance Code, or a health maintenance organization under Chapter 843, Insurance Code. The coverage must meet the substantive coverage requirements of Chapter 1251, Subchapter A, Chapter 1364, and Subchapter A, Chapter 1366, Insurance Code, and any other law applicable to group health insurance policies or contracts issued in this state. The coverage must include major medical treatment but may exclude experimental procedures. In this subsection, "major medical treatment" means a medical, surgical, or diagnostic procedure for illness or injury. The coverage may include managed care or preventive care and must be comparable to the basic health coverage provided under Chapter 1551, Insurance Code. ~~[The board of trustees of the Teacher Retirement System of Texas shall adopt rules to determine whether a school district's group health coverage is comparable to the basic health coverage specified by this subsection. The rules must provide for consideration of the following factors concerning the district's coverage]~~ The following factors shall be considered in determining whether ~~[the]~~a school district's coverage is comparable to the basic health coverage specified by this subsection:

- (1) the deductible amount for service provided inside and outside of the network;
 - (2) the coinsurance percentages for service provided inside and outside of the network;
 - (3) the maximum amount of coinsurance payments a covered person is required to pay;
 - (4) the amount of the copayment for an office visit;
 - (5) the schedule of benefits and the scope of coverage;
 - (6) the lifetime maximum benefit amount; and
 - (7) verification that the coverage is issued by a provider licensed to do business in this state by the Texas Department of Insurance or is provided by a risk pool authorized under Chapter 172, Local Government Code, or that a district is capable of covering the assumed liabilities in the case of coverage provided through district self-insurance.
- (d) ~~[Each district shall report the district's~~

~~compliance with this section to the executive director of the Teacher Retirement System of Texas not later than March 1 of each even numbered year in the manner required by the board of trustees of the Teacher Retirement System of Texas.] [For a]Each district that does not participate in the program described by Subsection (a)[,] shall prepare a report addressing the district's compliance with this section. The[the] report must be available for review, together with the policy or contract for the group health coverage plan, at the central administrative office of each campus in the district and be posted on the district's Internet website if the district maintains a website, must be based on the district group health coverage plan in effect during the current plan year, and must include:~~

- ~~(1) appropriate documentation of:~~
 - ~~(A) the district's contract for group health coverage with a provider licensed to do business in this state by the Texas Department of Insurance or a risk pool authorized under Chapter 172, Local Government Code; or~~
 - ~~(B) a resolution of the board of trustees of the district authorizing a self-insurance plan for district employees and of the district's review of district ability to cover the liability assumed;~~
- ~~(2) the schedule of benefits;~~
- ~~(3) the premium rate sheet, including the amount paid by the district and employee;~~
- ~~(4) the number of employees covered by the health coverage plan offered by the district; and~~
- ~~(5) information concerning the ease of completing the report[, as required by the executive director of the Teacher Retirement System of Texas; and~~
- ~~(6) any other information considered appropriate by the executive director of the Teacher Retirement System of Texas].~~

SECTION 24. The heading to Chapter 1575, Insurance Code, is amended.

SECTION 25. Section 1575.002, Insurance Code, is amended.

SECTION 31. Same as introduced version.

SECTION 32. Substantially the same as introduced version.

No equivalent provision.

SECTION 33. Section 1575.004(a), Insurance Code, is amended to read as follows:

(a) In this chapter, "retiree" means:

(1) an individual not eligible, at the time of the individual's retirement, for coverage under a plan provided under Chapter 1551 or 1601 who:

(A) has taken a service retirement under the Teacher Retirement System of Texas after September 1, 2005, with at least 10 years of service credit in the system, which may include up to five years of military service credit, but which may not include any other service credit purchased for equivalent or special service credit, and either:

(i) the sum of the retiree's age and years of service credit in the retirement system equals or exceeds 80 at the time of retirement, regardless of whether the retiree had a reduction in the retirement annuity for early age; or

(ii) the retiree has 30 or more years of service credit in the retirement system at the time of retirement;

(B) has taken a service retirement under the Teacher Retirement System of Texas after September 1, 2004, but on or before August 31, 2005, and on September 1, 2005, either:

(i) meets the requirements for eligibility for the group program for coverage as a retiree as those requirements existed on August 31, 2004;

(ii) meets the requirements of Paragraph (A); or

(iii) is enrolled in the group program and was enrolled in the group program on August 31, 2005; or

(C) has taken a service retirement under the Teacher Retirement System of Texas on or before August 31, 2004, and who is enrolled in the group program on August 31, 2005;

(2) an individual who:

(A) has taken a disability retirement under the Teacher Retirement System of Texas; and

(B) is entitled to receive monthly benefits from the Teacher Retirement System of Texas; or

(3) an individual who:

(A) has taken a disability retirement under the Teacher Retirement System of Texas;

(B) has at least 10 years of service credit in the Teacher Retirement System of Texas on the date of disability retirement, as

determined under Section 824.304, Government Code; and
(C) is not entitled to receive monthly benefits from the Teacher Retirement System of Texas because those benefits have been suspended in accordance with Section 824.310, Government Code.

No equivalent provision.

SECTION 34. Section 1575.153, Insurance Code, is amended to read as follows:
Sec. 1575.153. BASIC COVERAGE. A retiree who applies for coverage during an enrollment period may not be denied coverage in a basic plan provided under this chapter unless:
(1) the retiree's coverage is suspended under Section 1575.165; or
(2) the trustee finds under Subchapter K that the retiree defrauded or attempted to defraud the group program.

No equivalent provision.

SECTION 35. Section 1575.155(a), Insurance Code, is amended to read as follows:
(a) Subject to Section 1575.165, a [A] retiree participating in the group program is entitled to secure for the retiree's dependents group coverage provided for the retiree under this chapter, as determined by the trustee.

No equivalent provision.

SECTION 36. Section 1575.158(a), Insurance Code, is amended to read as follows:
(a) Subject to Sections [Section] 1575.1581 and 1575.165, 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.

No equivalent provision.

SECTION 37. Subchapter D, Chapter 1575, Insurance Code, is amended by adding Section 1575.165 to read as follows:
Sec. 1575.165. SUSPENSION AND REACTIVATION OF COVERAGE UNDER THE GROUP PROGRAM. (a) Coverage under the group program for a retiree and the retiree's dependents shall be suspended during any period the retiree is:

(1) eligible for and elects health benefit coverage under a plan provided under Chapter 1551 or 1601; or

(2) employed by a public school and is, as a result of that employment, eligible for health benefit coverage offered by the public school.

(b) During the period a retiree's coverage under the group program is suspended under this section, the retiree and the retiree's dependents shall remain enrolled in the group program.

(c) A retiree and the retiree's eligible dependents whose coverage under the group program is suspended under this section shall be reactivated at the time the retiree:

(1) ceases to be covered under a plan provided under Chapter 1551 or 1601, if the retiree is subject to Subsection (a)(1); or

(2) terminates employment with or ceases to be eligible for health benefit coverage offered by a public school, if the retiree is subject to Subsection (a)(2).

(d) The trustee shall adopt rules necessary to implement this section.

SECTION 26. Section 1575.204(b), Insurance Code is amended to read as follows:

(b) Each state fiscal year, each employer who reports to the retirement system under Section 824.6022, Government Code, the employment of a retiree who is enrolled in the group program shall contribute to the fund an amount established by the trustee. In determining the amount to be contributed by the employer under this subsection, the trustee shall consider ~~the difference, if any, between~~ the ~~contribution~~ amount ~~that the reported~~ a retiree is required to pay for the retiree and any enrolled dependents to participate in the group program and the ~~full~~ cost of all ~~the retiree's~~ retirees' and enrolled dependents' participation in the group program~~, as determined by the trustee~~.

If more than one employer reports the retiree to the retirement system during a month, the amount of the required payment shall be prorated among the employers.

The amounts required to be paid under this subsection are not required to be paid by a reporting employer for a retiree who retired

SECTION 38. Section 1575.204(b), Insurance Code, is amended to read as follows:

(b) Each state fiscal year, each employer who reports to the retirement system under Section 824.6022, Government Code, the employment of a retiree who is enrolled in and receiving coverage under the group program shall contribute to the fund an amount established by the trustee. In determining the amount to be contributed by the employer under this subsection, the trustee shall consider the ~~difference, if any, between the contribution~~ amount a ~~that the reported~~ retiree is required to pay for the retiree and any enrolled dependents to participate in the group program and the ~~full~~ cost of all retirees' ~~the retiree's~~ and enrolled dependents' participation in the group program~~, as determined by the trustee~~. If more than one employer reports the retiree to the retirement system during a month, the amount of the contribution required by this subsection shall be prorated among the employers.

The amounts required to be paid under this subsection are not required to be paid by a reporting employer for a retiree who retired

from the retirement system before September 1, 2005.

from the retirement system before September 1, 2005.

SECTION 27. Section 1575.207(a) and (b), Insurance Code are amended.

SECTION 39. Substantially the same as introduced version.

SECTION 28. Subchapter A, Chapter 1579, Insurance Code, is amended by adding Section 1579.0031 to read as follows:

Sec. 1579.0031. DEFINITION OF RETIREE. In this chapter, "retiree" means an individual who is enrolled in a plan provided by Chapter 1575, becomes employed by a participating entity, becomes eligible for health benefit coverage offered under this chapter, and, as a consequence of this employment and eligibility, has his or her coverage suspended under a plan provided by Chapter 1575.

No equivalent provision.

SECTION 29. The heading to Subchapter E, Chapter 1579, Insurance Code, is amended to read as follows:

SUBCHAPTER E. PARTICIPATION BY EMPLOYEES AND RETIREES

No equivalent provision.

SECTION 30. Section 1579.201, Insurance Code, is amended to read as follows:

Sec. 1579.201. DEFINITION. In this subchapter, "full-time employee," [and] "part-time employee," "full-time retiree" and "part-time retiree" have the meanings assigned by rules adopted by the trustee.

No equivalent provision.

No equivalent provision.

SECTION 40. Section 1579.003, Insurance Code, is amended to read as follows:

Sec. 1579.003. DEFINITION OF EMPLOYEE. In this chapter, "employee" means an individual [~~a participating member of the Teacher Retirement System of Texas~~] who is regularly employed by a participating entity for an average of at least 10 hours per week and who is not receiving coverage from a program under Chapter 1551, 1575, or 1601. The term does not include an individual performing personal services as an independent contractor.

No equivalent provision.

SECTION 41. Section 1579.004, Insurance

Code, is amended to read as follows:

Sec. 1579.004. DEFINITION OF DEPENDENT. In this chapter, "dependent" means:

- (1) a spouse of an [~~a full-time employee or part-time~~] employee;
- (2) a child of an [~~a full-time or part-time~~] employee if the child is younger than 26 years of age, including:
 - (A) an adopted child or child who is lawfully placed for adoption;
 - (B) a foster child, stepchild, or other child who is in a regular parent-child relationship; and
 - (C) a natural child;
- (3) an [~~a full-time or part-time~~] employee's natural child, adopted child, foster child, stepchild, or other child who is in a regular parent-child relationship and who lives with or has his or her care provided by the employee or the surviving spouse on a regular basis, regardless of the child's age, if the child has a mental disability or is physically incapacitated to an extent that the child is dependent on the employee or surviving spouse for care or support, as determined by the board of trustees; and
- (4) notwithstanding any other provision of this code, any other dependent of an [~~a full-time or part-time~~] employee specified by rules adopted by the board of trustees.

No equivalent provision.

SECTION 42. Section 1579.006(a), Insurance Code, is amended to read as follows:

- (a) The following are exempt from execution, attachment, garnishment, or any other process:
 - (1) benefit payments, including optional benefit payments;
 - (2) contributions of [~~active~~] employees, the state, and a participating entity, and any other contributions;
 - (3) any rights, benefits, or payments accruing to any person under this chapter; and
 - (4) any money in the Texas school employees uniform group coverage trust fund.

SECTION 31. Section 1579.202, Insurance Code, is amended to read as follows:
Sec. 1579.202. ELIGIBLE EMPLOYEES

SECTION 43. Section 1579.202, Insurance Code, is amended to read as follows:
Sec. 1579.202. ELIGIBLE EMPLOYEES.

AND RETIREES. (a) Except as provided by Section 1579.204, participation in the program is limited to employees of participating entities who are full-time employees and who are [to] part-time employees, and is limited to retirees of participating entities who are [participating members in the Teacher Retirement System of Texas] full-time retirees and who are part-time retirees.

(b) An employee or retiree described by Subsection (a) who applies for coverage during an open enrollment period prescribed by the trustee is automatically covered by the catastrophic care coverage plan unless the employee or retiree:

- (1) specifically waives coverage under this chapter;
- (2) selects a higher tier coverage plan; or
- (3) is expelled from the program.

SECTION 32. Section 1579.203, Insurance Code, is amended by amending Subsections (a), (b), and (c) to read as follows:

(a) A participating employee or retiree may select coverage in any coverage plan offered by the trustee.

(b) The employee or retiree is not required to continue participation in the coverage plan initially selected and may select a higher or lower tier coverage plan than the plan initially selected by the employee or retiree in the manner provided by rules adopted by the trustee.

(c) If the combined contributions received from the state and the employing participating entity under Subchapter F exceed the cost of a coverage plan selected by the employee or retiree, the employee or retiree may use the excess amount of contributions to obtain coverage under a higher tier coverage plan or to pay all or part of the cost of coverage for the employee's or retiree's dependents.

SECTION 33. Section 1579.204, Insurance Code, is amended to read as follows:

Sec. 1579.204. ~~[CERTAIN]~~ PART-TIME EMPLOYEES AND PART-TIME RETIREES. Notwithstanding any other section of this chapter, a [A] part-time employee of a participating entity and a part-time retiree employed by a participating

(a) Except as provided by Section 1579.204, participation in the program is limited to employees of participating entities who are full-time or [employees and to] part-time employees [who are participating members in the Teacher Retirement System of Texas].

(b) An employee described by Subsection (a) who applies for coverage during an open enrollment period prescribed by the trustee is automatically covered by the catastrophic care coverage plan unless the employee:

- (1) [specifically waives coverage under this chapter;
- ~~[(2)]~~ selects a higher tier coverage plan; or
- (2) [(3)] is expelled from the program.

No equivalent provision.

SECTION 44. Section 1579.204, Insurance Code, is amended to read as follows:

Sec. 1579.204. ~~[CERTAIN]~~ PART-TIME EMPLOYEES.

Notwithstanding any other provision of this chapter, a [A] part-time employee of a participating entity [who is not a participating member in the Teacher

entity are [~~who is not a participating member in the Teacher Retirement System of Texas is~~] eligible to participate in the program only if the part-time employee or the part-time retiree pays all of the premiums and other costs associated with the health coverage plan selected for [~~by~~] the employee and the employee's dependents or selected for the retiree and the retiree's dependents.

~~Retirement System of Texas~~] is eligible to participate in the program only if the employee pays all of the premiums and other costs associated with the health coverage plan selected for [~~by~~] the employee and the employee's dependents.

SECTION 34. Section 1579.205, Insurance Code, is amended to read as follows:

No equivalent provision.

Sec. 1579.205. PAYMENT BY PARTICIPATING ENTITY.

Notwithstanding Section 1579.204, a participating entity may pay any portion of what otherwise would be the full-time employee, part-time employee, full-time retiree or part-time retiree share of premiums and other costs associated with the coverage selected by the employee or retiree.

SECTION 35. Section 1579.251, Insurance Code, is amended to read as follows:

No equivalent provision.

Sec. 1579.251. STATE ASSISTANCE. (a)

The state shall assist employees and retirees of participating school districts and charter schools in the purchase of group health coverage under this chapter by providing for each covered employee and retiree the amount of \$900 each state fiscal year or a greater amount as provided by the General Appropriations Act. The state contribution shall be distributed through the school finance formulas under Chapters 41 and 42, Education Code, and used by school districts and charter schools as provided by Section 42.260, Education Code.

(b) The state shall assist employees and retirees of participating regional education service centers and educational districts described by Section 1579.002(5)(B) in the purchase of group health coverage under this chapter by providing to the employing service center or educational district, for each covered employee and retiree, the amount of \$900 each state fiscal year or a greater amount as provided by the General Appropriations Act.

SECTION 36. Section 1579.255(a), Insurance Code is amended.

No equivalent provision.

No equivalent provision.

SECTION 37.

Section 1579.106(c), Insurance Code, is repealed.

No equivalent provision.

No equivalent provision.

SECTION 45. Substantially the same as introduced version.

SECTION 46. Section 1581.001(1), Insurance Code, is amended to read as follows:

(1) "Participating employee" means an employee of a school district, other educational district whose employees are members of the Teacher Retirement System of Texas, participating charter school, or regional education service center who participates in a group health coverage plan provided by or through the district, school, or service center, including an employee whose coverage under the group program established under Chapter 1575 has been suspended.

SECTION 47. Subchapter B, Chapter 1581, Insurance Code, is amended by adding Section 1581.055 to read as follows:

Sec. 1581.055. REPORTING REQUIREMENT. Each school district and other educational district whose employees are members of the Teacher Retirement System of Texas, participating charter school, and regional education service center shall annually report to the Teacher Retirement System of Texas, under rules adopted by the retirement system, the monthly amount each contributes toward the payment of health coverage under this chapter.

SECTION 48. The following provisions are repealed:

- (1) Section 825.404(b-1), Government Code; and
- (2) Section 1579.106(c), Insurance Code.

SECTION 49. Section 821.001(4), Government Code, as amended by this Act, applies only to a member of the Teacher Retirement System of Texas who retires or dies on or after the effective date of this Act.

SECTION 50. Section 825.4092(c), Government Code, as amended by this Act, applies to a retiree of the Teacher

Retirement System of Texas regardless of whether the person retired from employment before, on, or after the effective date of this Act.

No equivalent provision.

SECTION 51. The changes in law made by this Act apply only to health benefit plans provided under Chapters 1575, 1579, and 1581, Insurance Code, beginning with the first plan year that begins on or after September 1, 2015. A plan year that begins before September 1, 2015, is governed by the law as it existed immediately before that date and that law is continued in effect for that purpose.

SECTION 38. This Act takes effect September 1, 2015.

SECTION 52. Same as introduced version.