

By: Kuempel

H.B. No. 3897

Substitute the following for H.B. No. 3897:

By: Alonzo

C.S.H.B. No. 3897

A BILL TO BE ENTITLED

1

AN ACT

2 relating to contributions to, benefits from, membership in, and the  
3 administration of systems and programs administered by the Teacher  
4 Retirement System of Texas.

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

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

8 (b) A district that does not participate in the program  
9 described by Subsection (a) shall make available to its employees,  
10 including employees whose coverage under the group program  
11 established under Chapter 1575, Insurance Code, has been suspended,  
12 group health coverage provided by a risk pool established by one or  
13 more school districts under Chapter 172, Local Government Code, or  
14 under a policy of insurance or group contract issued by an insurer,  
15 a company subject to Chapter 842, Insurance Code, or a health  
16 maintenance organization under Chapter 843, Insurance Code. The  
17 coverage must meet the substantive coverage requirements of Chapter  
18 1251, Subchapter A, Chapter 1364, and Subchapter A, Chapter 1366,  
19 Insurance Code, and any other law applicable to group health  
20 insurance policies or contracts issued in this state. The coverage  
21 must include major medical treatment but may exclude experimental  
22 procedures. In this subsection, "major medical treatment" means a  
23 medical, surgical, or diagnostic procedure for illness or  
24 injury. The coverage may include managed care or preventive care

1 and must be comparable to the basic health coverage provided under  
2 Chapter 1551, Insurance Code. The [~~board of trustees of the Teacher~~  
3 ~~Retirement System of Texas shall adopt rules to determine whether a~~  
4 ~~school district's group health coverage is comparable to the basic~~  
5 ~~health coverage specified by this subsection. The rules must~~  
6 ~~provide for consideration of the~~] following factors shall be  
7 considered [~~concerning the district's coverage~~] in determining  
8 whether a school [~~the~~] district's coverage is comparable to the  
9 basic health coverage specified by this subsection:

10 (1) the deductible amount for service provided inside  
11 and outside of the network;

12 (2) the coinsurance percentages for service provided  
13 inside and outside of the network;

14 (3) the maximum amount of coinsurance payments a  
15 covered person is required to pay;

16 (4) the amount of the copayment for an office visit;

17 (5) the schedule of benefits and the scope of  
18 coverage;

19 (6) the lifetime maximum benefit amount; and

20 (7) verification that the coverage is issued by a  
21 provider licensed to do business in this state by the Texas  
22 Department of Insurance or is provided by a risk pool authorized  
23 under Chapter 172, Local Government Code, or that a district is  
24 capable of covering the assumed liabilities in the case of coverage  
25 provided through district self-insurance.

26 (d) Each district [~~shall report the district's compliance~~  
27 ~~with this section to the executive director of the Teacher~~

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

13 (1) appropriate documentation of:

14 (A) the district's contract for group health  
15 coverage with a provider licensed to do business in this state by  
16 the Texas Department of Insurance or a risk pool authorized under  
17 Chapter 172, Local Government Code; or

18 (B) a resolution of the board of trustees of the  
19 district authorizing a self-insurance plan for district employees  
20 and of the district's review of district ability to cover the  
21 liability assumed;

22 (2) the schedule of benefits;

23 (3) the premium rate sheet, including the amount paid  
24 by the district and employee;

25 (4) the number of employees covered by the health  
26 coverage plan offered by the district; and

27 (5) information concerning the ease of completing the

1 report ~~[, as required by the executive director of the Teacher~~  
2 ~~Retirement System of Texas, and~~

3 ~~[(6) any other information considered appropriate by~~  
4 ~~the executive director of the Teacher Retirement System of Texas].~~

5 SECTION 2. Section 22.101(2), Education Code, is amended to  
6 read as follows:

7 (2) "Employee" means an individual who:

8 (A) is employed by one of the following employers  
9 in a position eligible for membership in ~~[active, contributing~~  
10 ~~member of]~~ the Teacher Retirement System of Texas based solely on  
11 that employment ~~[who]:~~

12 (i) [(A) is employed by] a school district;  
13 ~~[ ]~~

14 (ii) another [other] educational district  
15 whose employees are members of the Teacher Retirement System of  
16 Texas; ~~[ ]~~

17 (iii) a participating charter school; ~~[ ]~~  
18 or

19 (iv) a regional education service center;

20 (B) ~~[is not a retiree eligible for coverage under~~  
21 ~~the program established under Chapter 1575, Insurance Code,~~

22 ~~[(C)] is not eligible for coverage authorized [by~~  
23 ~~a group insurance program]~~ under Chapter 1551, 1575, or 1601,  
24 Insurance Code; and

25 (C) [(D)] is not [an individual] performing  
26 [personal services] for the employer ~~[a district, other educational~~  
27 ~~district that is a member of the Teacher Retirement System of Texas,~~

1 ~~participating charter school, or regional education service~~  
2 ~~center]~~ as an independent contractor services that are used to  
3 establish eligibility for health care supplementation under this  
4 subchapter.

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

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

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

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

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

22 (B) the difference between the amount necessary  
23 for the district or school to comply with Section 1581.052 [~~Section~~  
24 ~~3, Article 3.50-9~~], Insurance Code, for the school year and the  
25 amount the district or school is required to use to provide health  
26 coverage under Section 1581.051, Insurance Code, [~~2 of that~~  
27 ~~article~~] for that year.

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

3 (4) "Annual compensation" means the compensation to a  
4 member of the retirement system for service during a 12-month  
5 period determined by the retirement system [~~school-year~~] that is  
6 reportable and subject to contributions as provided by Section  
7 822.201.

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

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

15 (c) Membership in the retirement system may only be  
16 established through employment with a single employer on at least a  
17 half-time basis.

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

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

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

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

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

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

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

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

11           SECTION 8. Section 822.201(b), Government Code, is amended  
12 to read as follows:

13           (b) "Salary and wages" as used in Subsection (a) means:

14           (1) normal periodic payments of money for service the  
15 right to which accrues on a regular basis in proportion to the  
16 service performed;

17           (2) amounts by which the member's salary is reduced  
18 under a salary reduction agreement authorized by Chapter 610;

19           (3) amounts that would otherwise qualify as salary and  
20 wages under Subdivision (1) but are not received directly by the  
21 member pursuant to a good faith, voluntary written salary reduction  
22 agreement in order to finance payments to a deferred compensation  
23 or tax sheltered annuity program specifically authorized by state  
24 law or to finance benefit options under a cafeteria plan qualifying  
25 under Section 125 of the Internal Revenue Code of 1986, if:

26           (A) the program or benefit options are made  
27 available to all employees of the employer; and

1 (B) the benefit options in the cafeteria plan are  
2 limited to one or more options that provide deferred compensation,  
3 group health and disability insurance, group term life insurance,  
4 dependent care assistance programs, or group legal services plans;

5 (4) performance pay awarded to an employee by a school  
6 district as part of a total compensation plan approved by the board  
7 of trustees of the district and meeting the requirements of  
8 Subsection (e);

9 (5) the benefit replacement pay a person earns under  
10 Subchapter H, Chapter 659, except as provided by Subsection (c);

11 (6) stipends paid to teachers in accordance with  
12 Section 21.410, 21.411, 21.412, or 21.413, Education Code;

13 (7) amounts by which the member's salary is reduced or  
14 that are deducted from the member's salary as authorized by  
15 Subchapter J, Chapter 659;

16 (8) a merit salary increase made under Section 51.962,  
17 Education Code;

18 (9) amounts received under the relevant parts of the  
19 educator excellence awards program under Subchapter O, Chapter 21,  
20 Education Code, or a mentoring program under Section 21.458,  
21 Education Code, that authorize compensation for service;

22 (10) salary amounts designated as health care  
23 supplementation by an employee under Subchapter D, Chapter 22,  
24 Education Code; and

25 (11) to the extent required by Sections 3401(h) and  
26 414(u)(12) [~~414(u)(2)~~], Internal Revenue Code of 1986,  
27 differential wage payments received by an individual from an



1 employer on or after January 1, 2009, while the individual is  
2 performing qualified military service as defined by Section 414(u),  
3 Internal Revenue Code of 1986.

4 SECTION 9. Section 823.006, Government Code, is amended to  
5 read as follows:

6 Sec. 823.006. LIMITS ON ANNUAL CONTRIBUTIONS FOR PURCHASE  
7 OF SERVICE CREDIT. Notwithstanding any other provision of this  
8 subtitle, the retirement system shall [~~may~~] limit the purchase of  
9 service credit to the extent required by applicable limits on the  
10 amount of annual contributions a participant may make to a  
11 qualified plan under Sections 401(a) and 415(c), Internal Revenue  
12 Code of 1986.

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

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

21 (f-1) A member may not purchase more than five years of  
22 service credit under this section for service credit considered  
23 nonqualified service credit under Section 415(n)(3), Internal  
24 Revenue Code of 1986.

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

27 (a) In this section, "program administrator" means the

1 person who administers:

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

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

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

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

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

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

22           (a) As an exception to Section 824.101(c), a retiree who  
23 selected an optional service retirement annuity under Section  
24 824.204(c)(1), (c)(2), or (c)(5) or an optional disability  
25 retirement annuity under Section 824.308(c)(1), (c)(2), or (c)(5)  
26 and who has received at least one payment under the plan selected  
27 may change the optional annuity selection made by the retiree to a

1 standard service or disability retirement annuity as provided for  
2 in this section. If the beneficiary of the optional annuity was  
3 ~~[is]~~ the spouse ~~[or former spouse]~~ of the retiree when the retiree  
4 designated the spouse as beneficiary of the optional annuity, to  
5 change from the optional annuity to a standard retirement annuity  
6 under this subsection, the spouse or former spouse, as applicable,  
7 who was designated ~~[r]~~ the beneficiary of the optional annuity must  
8 sign a notarized consent to the change~~[r]~~ or a court with  
9 jurisdiction over the marriage of ~~[in a divorce proceeding~~  
10 ~~involving]~~ the retiree and beneficiary must approve or order the  
11 change ~~[in the divorce decree or acceptance of a property~~  
12 ~~settlement]~~. The change in plan selection takes effect when the  
13 retirement system receives the request to change the plan, provided  
14 the signed consent form or court order, as applicable, is  
15 subsequently received by the retirement system ~~[it]~~.

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

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

21 (1) the spouse must give written, notarized consent to  
22 the change;

23 (2) if the parties divorce after the designation, the  
24 former spouse who was designated beneficiary must give written,  
25 notarized consent to the change; or

26 (3) a court with jurisdiction over the marriage must  
27 approve or order ~~[have ordered]~~ the change.

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

8 (1) the sole beneficiary of that trust; or

9 (2) an individual who at the time of the retiree's  
10 death is the sole beneficiary of that trust.

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

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

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

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

1 SECTION 16. Section 825.208(b), Government Code, is amended  
2 to read as follows:

3 (b) The retirement system is exempt from Sections 651.002  
4 and 651.004, Chapter 660, [~~and~~] Subchapter K, Chapter 659, and  
5 Subchapter A, Chapter 661, to the extent the board of trustees  
6 determines an exemption is necessary for the performance of  
7 fiduciary duties.

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

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

14 SECTION 18. Section 825.3011(b), Government Code, is  
15 amended to read as follows:

16 (b) Chapter 551 does not require the board of trustees to  
17 confer with one or more employees, consultants, or legal counsel of  
18 the retirement system or with a third party, including  
19 representatives of an issuer of restricted securities or a private  
20 investment fund, in an open meeting if the only purpose of the  
21 conference is to receive information from or question the  
22 employees, consultants, or legal counsel of the retirement system  
23 or the third party relating to:

24 (1) [~~an~~] investment transactions or [~~a~~] potential  
25 investment transactions if, before conducting the closed meeting, a  
26 majority of [by] the board of trustees in an open meeting vote that  
27 deliberating or conferring in an open meeting would have a

1 detrimental effect on the position of the retirement system in  
2 negotiations with third parties or put the retirement system at a  
3 competitive disadvantage in the market [~~in a private investment~~  
4 ~~fund~~]; or

5 (2) the purchase, holding, or disposal of restricted  
6 securities or a private investment fund's investment in restricted  
7 securities if, under Section 552.143, the information discussed  
8 would be confidential and excepted from the requirements of Section  
9 552.021 if the information was included in the records of a  
10 governmental body.

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

13 Sec. 825.306. CREDITING SYSTEM ASSETS. (a) The assets of  
14 the retirement system shall be maintained and reported in a manner  
15 that reflects the source of the assets or the purpose for which the  
16 assets are held, using appropriate ledgers and subledgers, in  
17 accordance with generally accepted accounting principles  
18 prescribed by the Governmental Accounting Standards Board or its  
19 successor. In addition, the maintenance and reporting of the  
20 assets must be in compliance with applicable tax law and consistent  
21 with any fiduciary duty owed with respect to the trust. In the  
22 alternative, the assets may be credited, according to the purpose  
23 for which they are held, to one of the following accounts:

- 24 (1) member savings account;  
25 (2) state contribution account;  
26 (3) retired reserve account;  
27 (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 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 [~~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.

(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           (1) the current school year, the error may be  
2 corrected by submitting to the retirement system in the manner  
3 prescribed by the retirement system:

4                   (A) a corrected report; and

5                   (B) contributions on the unreported service or  
6 compensation, plus interest at the rate provided under Section  
7 825.408, computed from the report month the service or compensation  
8 should have been reported to the retirement system to the date the  
9 contributions related to that service or compensation are submitted  
10 to the retirement system; or

11           (2) the preceding school year, the error may be  
12 corrected if the following requirements are met:

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

16                   (B) the employer requests from the retirement  
17 system a waiver of the documentation requirements under Section  
18 825.408(a) and the request is granted by the retirement system;

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

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

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

27                           (iii) pays the interest on the



1 contributions described by Subparagraphs (i) and (ii) at the rate  
2 provided by Section 825.408; and

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

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

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

13 (h-3) The retirement system may not credit service or  
14 compensation to a person in the manner provided by Subsections  
15 (h-1) and (h-2) for service rendered or compensation received by  
16 the person in any school year before the preceding school year. If  
17 service is rendered or compensation paid by a person in a school  
18 year before the preceding school year, the [The] person's employer  
19 at the time the unreported service was rendered or compensation was  
20 paid must verify the service or compensation as required by  
21 Subsection (j) and the person must submit the verification to the  
22 retirement system not later than five years after the end of the  
23 school year in which the service was rendered or compensation was  
24 paid. To establish the service or compensation credit, the person  
25 must deposit with the retirement system the actuarial present  
26 value, at the time of deposit, of the additional standard  
27 retirement annuity benefits that would be attributable to the

1 purchase of service or compensation credit under this section,  
2 based on rates and tables recommended by the retirement system's  
3 actuary and adopted by the board of trustees.

4 (h-4) The board of trustees shall:

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

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

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

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

24 (a) An employer that fails to remit, before the seventh day  
25 after the last day of a month, all member and employer deposits and  
26 documentation of the deposits required by this subchapter to be  
27 remitted by the employer for the month shall pay to the retirement

1 system, in addition to the deposits, interest on the unpaid [~~or~~  
 2 ~~undocumented~~] amounts at an annual rate prescribed by this  
 3 subsection and a late fee in an amount determined by the retirement  
 4 system, which may include an amount for each day the documentation  
 5 is submitted after the deadline imposed by this subsection  
 6 [~~compounded monthly~~]. The rate of interest is the rate established  
 7 under Section 825.313(b)(1), plus two percent. Interest required  
 8 under this subsection [~~section~~] is creditable to the interest  
 9 account. The [~~On request, the~~] retirement system may grant a waiver  
 10 of the deadline imposed by this subsection based on an employer's  
 11 financial or technological resources.

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

14 (c) Except as provided by Subsection (e), each payroll  
 15 period, for each retiree who is enrolled in the Texas Public School  
 16 Employees Group Insurance Program under Chapter 1575, Insurance  
 17 Code, the employer who reports the employment of a retiree shall  
 18 contribute to the trust fund established under that chapter an  
 19 amount established by the retirement system. In determining the  
 20 amount to be contributed by the employer under this subsection, the  
 21 retirement system shall consider [~~any difference between~~] the  
 22 amount a [~~the~~] retiree is required to pay for the retiree and any  
 23 enrolled dependents to participate in the group program and the  
 24 [~~full~~] cost of the retiree's and enrolled dependents' participation  
 25 in the group program[~~, as determined by the retirement system~~]. If  
 26 more than one employer reports the retiree to the retirement system  
 27 during a month, the amount of the required payment shall be prorated

1 among the employers.

2 SECTION 24. Section 825.410(a), Government Code, is amended  
3 to read as follows:

4 (a) Payments to establish special service credit as  
5 authorized under this subtitle, other than service credit that may  
6 only be determined and paid for at the time of retirement such as  
7 unused leave as authorized by Section 823.403, may be made in a lump  
8 sum by a monthly payroll deduction in an amount not less than  
9 one-twelfth of the contribution required to establish at least one  
10 year of service credit, or in equal monthly installments over a  
11 period not to exceed the lesser of the number of years of credit to  
12 be purchased or 60 months. Installment and payroll deduction  
13 payments are due on the first day of each calendar month in the  
14 payment period. If an installment or payroll deduction payment is  
15 not made in full within 60 days after the due date, the retirement  
16 system may refund all installment or payroll deduction payments  
17 less fees paid on the lump sum due when installment or payroll  
18 deduction payments began. Partial payment of an installment or  
19 payroll deduction payment may be treated as nonpayment. A check  
20 returned for insufficient funds or a closed account shall be  
21 treated as nonpayment. When two or more consecutive monthly  
22 payments have a returned check, a refund may be made. [~~If the~~  
23 ~~retirement system refunds payments pursuant to this subsection, the~~  
24 ~~member is not permitted to use the installment method of payment or~~  
25 ~~the payroll deduction method, as applicable, for the same service~~  
26 ~~for three years after the date of the refund. A member who requests~~  
27 ~~and receives a refund of installment or payroll deduction payments~~

1 ~~also is not permitted to use the same method of payment for the same~~  
2 ~~service for three years after the date of the refund.]~~

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

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

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

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

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

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

17 SECTION 26. Section 825.505, Government Code, is amended to  
18 read as follows:

19 Sec. 825.505. AUDITS. For the purpose of determining the  
20 propriety of employer reports, including demographic data, and  
21 contributions or credits, the records of an employer concerning the  
22 employment and compensation of all its personnel are subject to  
23 audit and examination, in the offices of the employer during  
24 regular working hours, by representatives of the retirement system  
25 designated to conduct the audit and examination.

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

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

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

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

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

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

16 (3) for distributions occurring on or after January 1,  
17 2007, to a qualified plan described by Section 401(a), Internal  
18 Revenue Code of 1986, if the plan separately accounts for:

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

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

24 (4) to an annuity contract described by Section  
25 403(b), Internal Revenue Code of 1986, that agrees to separately  
26 account for amounts transferred and earnings on amounts  
27 transferred, including for the portion of the distribution that is

1 includable in gross income and the portion of the distribution that  
2 is not includable in gross income.

3 SECTION 29. Section 825.515(a), Government Code, is amended  
4 to read as follows:

5 (a) At least annually, the retirement system shall acquire  
6 and maintain records identifying members and specifying the types  
7 of positions they hold as members. Employers shall provide to the  
8 retirement system information specifying the type of position held  
9 by each member as Administrative/Professional, Teacher/Full-Time  
10 Librarian, Support, Bus Driver, Food Service Worker, or Peace  
11 Officer. Employers shall also provide to the retirement system the  
12 work e-mail address for each member. For each member identified as  
13 a Peace Officer, the records must specify whether the member is an  
14 employee of an institution of higher education or of a public school  
15 that is not an institution of higher education. An employer shall  
16 provide the information required by this section in the form and  
17 manner specified by the retirement system.

18 SECTION 30. Section 830.201(h), Government Code, is amended  
19 to read as follows:

20 (h) Before November 2 of each even-numbered year, the Texas  
21 Higher Education Coordinating Board [~~board of trustees~~], in  
22 coordination with the Legislative Budget Board, shall certify to  
23 the comptroller for review and adoption an estimate of the amount  
24 necessary to pay the state's contributions to the retirement system  
25 for the following biennium. For qualifying employees under  
26 Subsection (g)(1), the Texas Higher Education Coordinating Board  
27 [~~board of trustees~~] shall include only the amount payable by the

1 state under Subsection (g)(1) in determining the amount to be  
2 certified.

3 SECTION 31. The heading to Chapter 1575, Insurance Code, is  
4 amended to read as follows:

5 CHAPTER 1575. TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP BENEFITS  
6 PROGRAM

7 SECTION 32. Section 1575.002(4), Insurance Code, is amended  
8 to read as follows:

9 (4) "Group program" means the Texas Public School  
10 Retired Employees Group Benefits [~~Insurance~~] Program authorized by  
11 this chapter.

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

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

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

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

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



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

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

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

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

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

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

16 (2) an individual who:

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

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

21 (3) an individual who:

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

24 (B) has at least 10 years of service credit in the  
25 Teacher Retirement System of Texas on the date of disability  
26 retirement, as determined under Section [824.304](#), Government Code;

27 and

1 (C) is not entitled to receive monthly benefits  
2 from the Teacher Retirement System of Texas because those benefits  
3 have been suspended in accordance with Section 824.310, Government  
4 Code.

5 SECTION 34. Section 1575.153, Insurance Code, is amended to  
6 read as follows:

7 Sec. 1575.153. BASIC COVERAGE. A retiree who applies for  
8 coverage during an enrollment period may not be denied coverage in a  
9 basic plan provided under this chapter unless:

10 (1) the retiree's coverage is suspended under Section  
11 1575.165; or

12 (2) the trustee finds under Subchapter K that the  
13 retiree defrauded or attempted to defraud the group program.

14 SECTION 35. Section 1575.155(a), Insurance Code, is amended  
15 to read as follows:

16 (a) Subject to Section 1575.165, a [A] retiree  
17 participating in the group program is entitled to secure for the  
18 retiree's dependents group coverage provided for the retiree under  
19 this chapter, as determined by the trustee.

20 SECTION 36. Section 1575.158(a), Insurance Code, is amended  
21 to read as follows:

22 (a) Subject to Sections [~~Section~~] 1575.1581 and 1575.165,  
23 the trustee may, in addition to providing a basic plan, contract for  
24 and make available an optional group health benefit plan for  
25 retirees, dependents, surviving spouses, or surviving dependent  
26 children.

27 SECTION 37. Subchapter D, Chapter 1575, Insurance Code, is

1 amended by adding Section 1575.165 to read as follows:

2 Sec. 1575.165. SUSPENSION AND REACTIVATION OF COVERAGE  
3 UNDER THE GROUP PROGRAM. (a) Coverage under the group program for a  
4 retiree and the retiree's dependents shall be suspended during any  
5 period the retiree is:

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

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

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

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

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

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

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

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

27 (b) Each state fiscal year, each employer who reports to the

1 retirement system under Section [824.6022](#), Government Code, the  
2 employment of a retiree who is enrolled in and receiving coverage  
3 under the group program shall contribute to the fund an amount  
4 established by the trustee. In determining the amount to be  
5 contributed by the employer under this subsection, the trustee  
6 shall consider the [~~difference, if any, between the contribution~~]  
7 amount a [~~that the reported~~] retiree is required to pay for the  
8 retiree and any enrolled dependents to participate in the group  
9 program and the [~~full~~] cost of all retirees' [~~the retiree's~~] and  
10 enrolled dependents' participation in the group program [~~, as~~  
11 ~~determined by the trustee~~]. If more than one employer reports the  
12 retiree to the retirement system during a month, the amount of the  
13 contribution required by this subsection shall be prorated among  
14 the employers. The amounts required to be paid under this  
15 subsection are not required to be paid by a reporting employer for a  
16 retiree who retired from the retirement system before September 1,  
17 2005.

18 SECTION 39. Section [1575.207](#), Insurance Code, is amended to  
19 read as follows:

20 Sec. 1575.207. INTEREST ASSESSED ON LATE PAYMENT OF  
21 DEPOSITS BY EMPLOYING PUBLIC SCHOOLS. (a) An employing public  
22 school that does not remit to the trustee all contributions  
23 required by this subchapter before the seventh day after the last  
24 day of the month shall pay to the fund:

- 25 (1) the contributions; and
- 26 (2) interest on the unpaid amounts at the annual rate
- 27 of six percent [~~compounded monthly~~].

1 (b) The [~~On request, the~~] trustee may grant a waiver of the  
2 deadline imposed by this section [~~based on an employing public~~  
3 ~~school's financial or technological resources~~].

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

6 Sec. 1579.003. DEFINITION OF EMPLOYEE. In this chapter,  
7 "employee" means an individual [~~a participating member of the~~  
8 ~~Teacher Retirement System of Texas~~] who is regularly employed by a  
9 participating entity for an average of at least 10 hours per week  
10 and who is not receiving coverage from a program under Chapter 1551,  
11 1575, or 1601. The term does not include an individual performing  
12 personal services as an independent contractor.

13 SECTION 41. Section 1579.004, Insurance Code, is amended to  
14 read as follows:

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

17 (1) a spouse of an [~~a full-time employee or part-time~~]  
18 employee;

19 (2) a child of an [~~a full-time or part-time~~] employee  
20 if the child is younger than 26 years of age, including:

21 (A) an adopted child or child who is lawfully  
22 placed for adoption;

23 (B) a foster child, stepchild, or other child who  
24 is in a regular parent-child relationship; and

25 (C) a natural child;

26 (3) an [~~a full-time or part-time~~] employee's natural  
27 child, adopted child, foster child, stepchild, or other child who

1 is in a regular parent-child relationship and who lives with or has  
2 his or her care provided by the employee or the surviving spouse on  
3 a regular basis, regardless of the child's age, if the child has a  
4 mental disability or is physically incapacitated to an extent that  
5 the child is dependent on the employee or surviving spouse for care  
6 or support, as determined by the board of trustees; and

7 (4) notwithstanding any other provision of this code,  
8 any other dependent of an [~~a full-time or part-time~~] employee  
9 specified by rules adopted by the board of trustees.

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

12 (a) The following are exempt from execution, attachment,  
13 garnishment, or any other process:

14 (1) benefit payments, including optional benefit  
15 payments;

16 (2) contributions of [~~active~~] employees, the state,  
17 and a participating entity, and any other contributions;

18 (3) any rights, benefits, or payments accruing to any  
19 person under this chapter; and

20 (4) any money in the Texas school employees uniform  
21 group coverage trust fund.

22 SECTION 43. Section 1579.202, Insurance Code, is amended to  
23 read as follows:

24 Sec. 1579.202. ELIGIBLE EMPLOYEES. (a) Except as provided  
25 by Section 1579.204, participation in the program is limited to  
26 employees of participating entities who are full-time or [~~employees~~  
27 ~~and to~~] part-time employees [~~who are participating members in the~~

1 ~~Teacher Retirement System of Texas~~].

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

- 6 (1) [~~specifically waives coverage under this chapter,~~  
7 [~~2~~] selects a higher tier coverage plan; or  
8 (2) [~~3~~] is expelled from the program.

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

11 Sec. 1579.204. [CERTAIN] PART-TIME EMPLOYEES.  
12 Notwithstanding any other provision of this chapter, a [A]  
13 part-time employee of a participating entity [who is not a  
14 participating member in the Teacher Retirement System of Texas] is  
15 eligible to participate in the program only if the employee pays all  
16 of the premiums and other costs associated with the health coverage  
17 plan selected for [by] the employee and the employee's dependents.

18 SECTION 45. Section 1579.255, Insurance Code, is amended to  
19 read as follows:

20 Sec. 1579.255. INTEREST ASSESSED ON LATE PAYMENT OF  
21 CONTRIBUTIONS BY PARTICIPATING ENTITIES. (a) A participating  
22 entity that does not remit to the trustee all contributions  
23 required by this subchapter before the 16th [seventh] day [after  
24 the last day] of the month shall pay to the Texas school employees  
25 uniform group coverage trust fund:

- 26 (1) the contributions; and  
27 (2) interest on the unpaid amounts at the annual rate

1 of six percent [~~compounded monthly~~].

2 (b) The [~~On request, the~~] trustee may grant a waiver of the  
3 deadline imposed by this section [~~based on a participating entity's~~  
4 ~~financial or technological resources~~].

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

7 (1) "Participating employee" means an employee of a  
8 school district, other educational district whose employees are  
9 members of the Teacher Retirement System of Texas, participating  
10 charter school, or regional education service center who  
11 participates in a group health coverage plan provided by or through  
12 the district, school, or service center, including an employee  
13 whose coverage under the group program established under Chapter  
14 1575 has been suspended.

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

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

24 SECTION 48. The following provisions are repealed:

25 (1) Section 825.404(b-1), Government Code; and

26 (2) Section 1579.106(c), Insurance Code.

27 SECTION 49. Section 821.001(4), Government Code, as amended



1 by this Act, applies only to a member of the Teacher Retirement  
2 System of Texas who retires or dies on or after the effective date  
3 of this Act.

4 SECTION 50. Section 825.4092(c), Government Code, as  
5 amended by this Act, applies to a retiree of the Teacher Retirement  
6 System of Texas regardless of whether the person retired from  
7 employment before, on, or after the effective date of this Act.

8 SECTION 51. The changes in law made by this Act apply only  
9 to health benefit plans provided under Chapters 1575, 1579, and  
10 1581, Insurance Code, beginning with the first plan year that  
11 begins on or after September 1, 2015. A plan year that begins before  
12 September 1, 2015, is governed by the law as it existed immediately  
13 before that date and that law is continued in effect for that  
14 purpose.

15 SECTION 52. This Act takes effect September 1, 2015.