

1-1 By: Huffman S.B. No. 1939
 1-2 (In the Senate - Filed March 13, 2015; March 25, 2015, read
 1-3 first time and referred to Committee on State Affairs;
 1-4 April 15, 2015, reported adversely, with favorable Committee
 1-5 Substitute by the following vote: Yeas 9, Nays 0; April 15, 2015,
 1-6 sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17	X			

1-18 COMMITTEE SUBSTITUTE FOR S.B. No. 1939 By: Huffman

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

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

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

1-25 SECTION 1. Sections 22.004(b) and (d), Education Code, are
 1-26 amended to read as follows:

1-27 (b) A district that does not participate in the program
 1-28 described by Subsection (a) shall make available to its employees,
 1-29 including employees whose coverage under the group program
 1-30 established under Chapter 1575, Insurance Code, has been suspended,
 1-31 group health coverage provided by a risk pool established by one or
 1-32 more school districts under Chapter 172, Local Government Code, or
 1-33 under a policy of insurance or group contract issued by an insurer,
 1-34 a company subject to Chapter 842, Insurance Code, or a health
 1-35 maintenance organization under Chapter 843, Insurance Code. The
 1-36 coverage must meet the substantive coverage requirements of Chapter
 1-37 1251, Subchapter A, Chapter 1364, and Subchapter A, Chapter 1366,
 1-38 Insurance Code, and any other law applicable to group health
 1-39 insurance policies or contracts issued in this state. The coverage
 1-40 must include major medical treatment but may exclude experimental
 1-41 procedures. In this subsection, "major medical treatment" means a
 1-42 medical, surgical, or diagnostic procedure for illness or injury.
 1-43 The coverage may include managed care or preventive care and must be
 1-44 comparable to the basic health coverage provided under Chapter
 1-45 1551, Insurance Code. ~~In determining [The board of trustees of the~~
 1-46 ~~Teacher Retirement System of Texas shall adopt rules to determine]~~
 1-47 whether a school district's group health coverage is comparable to
 1-48 the basic health coverage specified by this subsection, the
 1-49 district shall consider~~[. The rules must provide for consideration~~
 1-50 ~~of]~~ the following factors ~~[concerning the district's coverage in~~
 1-51 ~~determining whether the district's coverage is comparable to the~~
 1-52 ~~basic health coverage specified by this subsection]:~~

1-53 (1) the deductible amount for service provided inside
 1-54 and outside of the network;

1-55 (2) the coinsurance percentages for service provided
 1-56 inside and outside of the network;

1-57 (3) the maximum amount of coinsurance payments a
 1-58 covered person is required to pay;

1-59 (4) the amount of the copayment for an office visit;

1-60 (5) the schedule of benefits and the scope of

2-1 coverage;
 2-2 (6) the lifetime maximum benefit amount; and
 2-3 (7) verification that the coverage is issued by a
 2-4 provider licensed to do business in this state by the Texas
 2-5 Department of Insurance or is provided by a risk pool authorized
 2-6 under Chapter 172, Local Government Code, or that a district is
 2-7 capable of covering the assumed liabilities in the case of coverage
 2-8 provided through district self-insurance.

2-9 (d) Each ~~[district shall report the district's compliance~~
 2-10 ~~with this section to the executive director of the Teacher~~
 2-11 ~~Retirement System of Texas not later than March 1 of each~~
 2-12 ~~even-numbered year in the manner required by the board of trustees~~
 2-13 ~~of the Teacher Retirement System of Texas. For a]~~ district that
 2-14 does not participate in the program described by Subsection (a)
 2-15 shall prepare a report addressing the district's compliance with
 2-16 this section. The ~~[, the]~~ report must be available for review,
 2-17 together with the policy or contract for the group health coverage
 2-18 plan, at the central administrative office of each campus in the
 2-19 district and be posted on the district's Internet website if the
 2-20 district maintains a website, must be based on the district group
 2-21 health coverage plan in effect during the current plan year, and
 2-22 must include:

- 2-23 (1) appropriate documentation of:
 - 2-24 (A) the district's contract for group health
 - 2-25 coverage with a provider licensed to do business in this state by
 - 2-26 the Texas Department of Insurance or a risk pool authorized under
 - 2-27 Chapter 172, Local Government Code; or
 - 2-28 (B) a resolution of the board of trustees of the
 - 2-29 district authorizing a self-insurance plan for district employees
 - 2-30 and of the district's review of district ability to cover the
 - 2-31 liability assumed;
- 2-32 (2) the schedule of benefits;
- 2-33 (3) the premium rate sheet, including the amount paid
- 2-34 by the district and employee;
- 2-35 (4) the number of employees covered by the health
- 2-36 coverage plan offered by the district; and
- 2-37 (5) information concerning the ease of completing the
- 2-38 report ~~[, as required by the executive director of the Teacher~~
 2-39 ~~Retirement System of Texas; and~~

2-40 ~~[(6) any other information considered appropriate by~~
 2-41 ~~the executive director of the Teacher Retirement System of Texas].~~

2-42 SECTION 2. Section 22.101(2), Education Code, is amended to
 2-43 read as follows:

2-44 (2) "Employee" means an individual who:
 2-45 (A) is employed by one of the following employers
 2-46 in a position eligible for membership in ~~[active, contributing~~
 2-47 ~~member of]~~ the Teacher Retirement System of Texas based solely on
 2-48 that employment ~~[who]:~~

2-49 (i) ~~[(A) is employed by]~~ a school
 2-50 district; ~~[]~~

2-51 (ii) another ~~[other]~~ educational district
 2-52 whose employees are members of the Teacher Retirement System of
 2-53 Texas; ~~[]~~

2-54 (iii) a participating charter school; ~~[]~~ or
 2-55 (iv) a regional education service center;

2-56 (B) ~~[is not a retiree eligible for coverage under~~
 2-57 ~~the program established under Chapter 1575, Insurance Code,~~

2-58 ~~[(C)]~~ is not eligible for coverage authorized ~~[by~~
 2-59 ~~a group insurance program]~~ under Chapter 1551, 1575, or 1601,
 2-60 Insurance Code; and

2-61 (C) ~~[(D)]~~ is not ~~[an individual]~~ performing
 2-62 ~~[personal services]~~ for the employer ~~[a district, other educational~~
 2-63 ~~district that is a member of the Teacher Retirement System of Texas,~~
 2-64 ~~participating charter school, or regional education service~~
 2-65 ~~center]~~ as an independent contractor services that are used to
 2-66 establish eligibility for health care supplementation under this
 2-67 subchapter.

2-68 SECTION 3. Section 42.260(c), Education Code, is amended to
 2-69 read as follows:

3-1 (c) Notwithstanding any other provision of this code, a
3-2 school district or participating charter school may use the
3-3 following amount of funds only to pay contributions under a group
3-4 health coverage plan for district or school employees:

3-5 (1) an amount equal to 75 percent of the amount
3-6 certified for the district or school under Subsection (b); or

3-7 (2) if the following amount is less than the amount
3-8 specified by Subdivision (1), the sum of:

3-9 (A) the amount determined by multiplying the
3-10 amount of \$900 or the amount specified in the General
3-11 Appropriations Act for that year for purposes of the state
3-12 contribution under Section 1579.251 [~~9, Article 3.50-7~~], Insurance
3-13 Code, by the number of district or school employees who participate
3-14 in a group health coverage plan provided by or through the district
3-15 or school; and

3-16 (B) the difference between the amount necessary
3-17 for the district or school to comply with Section 1581.052 [~~Section~~
3-18 ~~3, Article 3.50-9~~], Insurance Code, for the school year and the
3-19 amount the district or school is required to use to provide health
3-20 coverage under Section 1581.051, Insurance Code, [~~2 of that~~
3-21 ~~article~~] for that year.

3-22 SECTION 4. Sections 821.001(4) and (6), Government Code,
3-23 are amended to read as follows:

3-24 (4) "Annual compensation" means the compensation to a
3-25 member of the retirement system for service during a 12-month
3-26 period determined by the retirement system [~~school year~~] that is
3-27 reportable and subject to contributions as provided by Section
3-28 822.201.

3-29 (6) "Employee" means a person who is employed, as
3-30 determined by the retirement system, on other than a temporary
3-31 basis by a single [~~an~~] employer for at least one-half time at a
3-32 regular rate of pay comparable to that of other persons employed in
3-33 similar positions.

3-34 SECTION 5. Section 822.001, Government Code, is amended by
3-35 adding Subsection (c) to read as follows:

3-36 (c) Membership in the retirement system may only be
3-37 established through employment with a single employer on at least a
3-38 half-time basis.

3-39 SECTION 6. Section 822.003(c), Government Code, is amended
3-40 to read as follows:

3-41 (c) A person does not terminate membership under Subsection
3-42 (a)(4) if the person:

3-43 (1) is performing military service creditable in the
3-44 retirement system;

3-45 (2) is on leave of absence from employment in a public
3-46 school; [~~or~~]

3-47 (3) is earning service credit in another retirement
3-48 system covered by Chapter 803 or 805; or

3-49 (4) is employed by an employer covered by the
3-50 retirement system and is not eligible for membership in the
3-51 retirement system because the person is employed on less than a
3-52 half-time basis.

3-53 SECTION 7. Section 822.005(c), Government Code, is amended
3-54 to read as follows:

3-55 (c) A person is not entitled to withdraw contributions if
3-56 the person [~~who~~] is employed, has applied for employment, or has
3-57 received a promise of employment with an employer [~~, in a position~~]
3-58 covered by the retirement system.

3-59 SECTION 8. Section 822.201(b), Government Code, is amended
3-60 to read as follows:

3-61 (b) "Salary and wages" as used in Subsection (a) means:

3-62 (1) normal periodic payments of money for service the
3-63 right to which accrues on a regular basis in proportion to the
3-64 service performed;

3-65 (2) amounts by which the member's salary is reduced
3-66 under a salary reduction agreement authorized by Chapter 610;

3-67 (3) amounts that would otherwise qualify as salary and
3-68 wages under Subdivision (1) but are not received directly by the
3-69 member pursuant to a good faith, voluntary written salary reduction

4-1 agreement in order to finance payments to a deferred compensation
4-2 or tax sheltered annuity program specifically authorized by state
4-3 law or to finance benefit options under a cafeteria plan qualifying
4-4 under Section 125 of the Internal Revenue Code of 1986, if:

4-5 (A) the program or benefit options are made
4-6 available to all employees of the employer; and

4-7 (B) the benefit options in the cafeteria plan are
4-8 limited to one or more options that provide deferred compensation,
4-9 group health and disability insurance, group term life insurance,
4-10 dependent care assistance programs, or group legal services plans;

4-11 (4) performance pay awarded to an employee by a school
4-12 district as part of a total compensation plan approved by the board
4-13 of trustees of the district and meeting the requirements of
4-14 Subsection (e);

4-15 (5) the benefit replacement pay a person earns under
4-16 Subchapter H, Chapter 659, except as provided by Subsection (c);

4-17 (6) stipends paid to teachers in accordance with
4-18 Section 21.410, 21.411, 21.412, or 21.413, Education Code;

4-19 (7) amounts by which the member's salary is reduced or
4-20 that are deducted from the member's salary as authorized by
4-21 Subchapter J, Chapter 659;

4-22 (8) a merit salary increase made under Section 51.962,
4-23 Education Code;

4-24 (9) amounts received under the relevant parts of the
4-25 educator excellence awards program under Subchapter O, Chapter 21,
4-26 Education Code, or a mentoring program under Section 21.458,
4-27 Education Code, that authorize compensation for service;

4-28 (10) salary amounts designated as health care
4-29 supplementation by an employee under Subchapter D, Chapter 22,
4-30 Education Code; and

4-31 (11) to the extent required by Sections 3401(h) and
4-32 414(u)(12) [~~414(u)(2)~~], Internal Revenue Code of 1986,
4-33 differential wage payments received by an individual from an
4-34 employer on or after January 1, 2009, while the individual is
4-35 performing qualified military service as defined by Section 414(u),
4-36 Internal Revenue Code of 1986.

4-37 SECTION 9. Section 823.006, Government Code, is amended to
4-38 read as follows:

4-39 Sec. 823.006. LIMITS ON ANNUAL CONTRIBUTIONS FOR PURCHASE
4-40 OF SERVICE CREDIT. Notwithstanding any other provision of this
4-41 subtitle, the retirement system shall ~~may~~ limit the purchase of
4-42 service credit to the extent required by applicable limits on the
4-43 amount of annual contributions a participant may make to a
4-44 qualified plan under Sections 401(a) and 415(c), Internal Revenue
4-45 Code of 1986.

4-46 SECTION 10. Section 823.401, Government Code, is amended by
4-47 amending Subsection (f) and adding Subsection (f-1) to read as
4-48 follows:

4-49 (f) Except as provided by Subsection (f-1), the [The] amount
4-50 of service credit a member may establish under this section may not
4-51 exceed the lesser of the number of years of membership service
4-52 credit the member has in the retirement system for actual service in
4-53 public schools or 15 years.

4-54 (f-1) A member may not purchase more than five years of
4-55 service credit under this section for service credit considered
4-56 nonqualified service credit under Section 415(n)(3)(C), Internal
4-57 Revenue Code of 1986.

4-58 SECTION 11. Sections 824.007(a) and (b), Government Code,
4-59 are amended to read as follows:

4-60 (a) In this section, "program administrator" means the
4-61 person who administers:

4-62 (1) the uniform program under Section 1601.102,
4-63 Insurance Code; or

4-64 (2) the group program under Chapter 1575, Insurance
4-65 Code.

4-66 (b) An individual eligible to participate in the uniform
4-67 program under Section 1601.102, Insurance Code, or the group
4-68 program under Chapter 1575, Insurance Code, may authorize the
4-69 retirement system to deduct the amount of the contribution and any

5-1 other qualified health insurance premium from the individual's
 5-2 regular monthly service or disability retirement annuity payment if
 5-3 the individual is:

5-4 (1) eligible to receive a monthly annuity from the
 5-5 retirement system greater than the amount of the authorized
 5-6 deduction; and

5-7 (2) eligible under Section 402(l), Internal Revenue
 5-8 Code of 1986, or a similar law, to elect to exclude from annual
 5-9 gross income up to \$3,000 of distributions from an eligible
 5-10 retirement plan used for qualified health insurance premiums.

5-11 SECTION 12. Section 824.1012(a), Government Code, is
 5-12 amended to read as follows:

5-13 (a) As an exception to Section 824.101(c), a retiree who
 5-14 selected an optional service retirement annuity under Section
 5-15 824.204(c)(1), (c)(2), or (c)(5) or an optional disability
 5-16 retirement annuity under Section 824.308(c)(1), (c)(2), or (c)(5)
 5-17 and who has received at least one payment under the plan selected
 5-18 may change the optional annuity selection made by the retiree to a
 5-19 standard service or disability retirement annuity as provided for
 5-20 in this section. If the beneficiary of the optional annuity was
 5-21 [is] the spouse [or former spouse] of the retiree when the retiree
 5-22 designated the spouse as beneficiary of the optional annuity, to
 5-23 change from the optional annuity to a standard retirement annuity
 5-24 under this subsection, the spouse or former spouse, as applicable,
 5-25 who was designated [✓] the beneficiary of the optional annuity must
 5-26 sign a notarized consent to the change[✓] or a court with
 5-27 jurisdiction over the marriage of [in a divorce proceeding
 5-28 involving] the retiree and beneficiary must approve or order the
 5-29 change [in the divorce decree or acceptance of a property
 5-30 settlement]. The change in plan selection takes effect when the
 5-31 retirement system receives the request to change the plan, provided
 5-32 the signed consent form or court order, as applicable, is
 5-33 subsequently received by the retirement system [it].

5-34 SECTION 13. Sections 824.1013(b) and (c-1), Government
 5-35 Code, are amended to read as follows:

5-36 (b) If the beneficiary designated at the time of the
 5-37 retiree's retirement is the spouse of the retiree at the time of the
 5-38 designation:

5-39 (1) the spouse must give written, notarized consent to
 5-40 the change;

5-41 (2) if the parties divorce after the designation, the
 5-42 former spouse who was designated beneficiary must give written,
 5-43 notarized consent to the change; or

5-44 (3) a court with jurisdiction over the marriage must
 5-45 approve or order [have ordered] the change.

5-46 (c-1) Notwithstanding Subsection (c), a beneficiary
 5-47 designated under this section is entitled on the retiree's death to
 5-48 receive monthly payments of the survivor's portion of the retiree's
 5-49 optional retirement annuity for the remainder of the beneficiary's
 5-50 life if the beneficiary designated at the time of the retiree's
 5-51 retirement is a trust and the beneficiary designated under this
 5-52 section is:

5-53 (1) the sole beneficiary of that trust; or

5-54 (2) an individual who is the sole beneficiary
 5-55 designated in the trust instrument to receive the survivor's
 5-56 portion of the retiree's optional retirement annuity.

5-57 SECTION 14. Section 825.103, Government Code, is amended by
 5-58 adding Subsection (h) to read as follows:

5-59 (h) The board of trustees may accept on behalf of the
 5-60 retirement system gifts of money, services, or other property from
 5-61 any public or private source.

5-62 SECTION 15. Section 825.115, Government Code, is amended by
 5-63 adding Subsection (f) to read as follows:

5-64 (f) Notwithstanding any other law, Chapter 551 does not
 5-65 apply to an assembly of the board of trustees or one of the board's
 5-66 committees while attending a summit, conference, convention,
 5-67 workshop, or other event held for educational purposes if the
 5-68 assembly or committee does not deliberate, vote, or take action on a
 5-69 specific matter of public business or public policy over which the

6-1 board of trustees or a committee of the board has supervision or
 6-2 control. This subsection does not apply to a regular, special, or
 6-3 emergency meeting of the board of trustees scheduled or called
 6-4 under the board's bylaws.

6-5 SECTION 16. Section 825.208(b), Government Code, is amended
 6-6 to read as follows:

6-7 (b) The retirement system is exempt from Sections 651.002
 6-8 and 651.004, Chapter 660, ~~and~~ Subchapter K, Chapter 659, and
 6-9 Subchapter A, Chapter 661, to the extent the board of trustees
 6-10 determines an exemption is necessary for the performance of
 6-11 fiduciary duties.

6-12 SECTION 17. Section 825.212, Government Code, is amended by
 6-13 adding Subsection (d) to read as follows:

6-14 (d) Notwithstanding any other law, all personal financial
 6-15 disclosures made by employees of the retirement system under this
 6-16 section, including a rule or policy adopted under this section, are
 6-17 confidential and excepted from the requirements of Section 552.021.

6-18 SECTION 18. Section 825.306, Government Code, is amended to
 6-19 read as follows:

6-20 Sec. 825.306. CREDITING SYSTEM ASSETS. (a) The assets of
 6-21 the retirement system shall be maintained and reported in a manner
 6-22 that reflects the source of the assets or the purpose for which the
 6-23 assets are held, using appropriate ledgers and subledgers, in
 6-24 accordance with generally accepted accounting principles
 6-25 prescribed by the Governmental Accounting Standards Board or its
 6-26 successor. In addition, the maintenance and reporting of the
 6-27 assets must be in compliance with applicable tax law and consistent
 6-28 with any fiduciary duty owed with respect to the trust. In the
 6-29 alternative, the assets may be credited, according to the purpose
 6-30 for which they are held, to one of the following accounts:

- 6-31 (1) member savings account;
- 6-32 (2) state contribution account;
- 6-33 (3) retired reserve account;
- 6-34 (4) interest account;
- 6-35 (5) expense account; or
- 6-36 (6) deferred retirement option account.

6-37 (b) Notwithstanding any other law, a requirement to deposit
 6-38 in or transfer assets from one of the accounts described under
 6-39 Subsection (a) is satisfied by maintaining and reporting the assets
 6-40 in accordance with that subsection.

6-41 SECTION 19. Section 825.312(a), Government Code, is amended
 6-42 to read as follows:

6-43 (a) The retirement system shall deposit in the expense
 6-44 account:

- 6-45 (1) money transferred from the interest account under
- 6-46 Section 825.313(d); and
- 6-47 (2) money received from the Texas Public School
- 6-48 Retired Employees Group Benefits ~~Insurance~~ Program for service
 6-49 performed for the program by the retirement system.

6-50 SECTION 20. Section 825.403, Government Code, is amended by
 6-51 amending Subsections (h) and (j) and adding Subsections (h-1),
 6-52 (h-2), (h-3), and (h-4) to read as follows:

6-53 (h) Subject to Subsections (h-1), (h-2), (h-3), and (h-4),
 6-54 if ~~if~~ deductions were previously required but not paid, the
 6-55 retirement system may not provide benefits based on the service or
 6-56 compensation unless the deposits required by this section have been
 6-57 fully paid.

6-58 (h-1) If, due to an error, an employer does not report to the
 6-59 retirement system all service rendered or compensation paid as
 6-60 required by this section and the error relates to service rendered
 6-61 or compensation paid by a member in:

6-62 (1) the current school year, the error may be
 6-63 corrected by submitting to the retirement system in the manner
 6-64 prescribed by the retirement system:

- 6-65 (A) a corrected report; and
- 6-66 (B) contributions on the unreported service or
 6-67 compensation, plus interest at the rate provided under Section
 6-68 825.408, computed from the final date on which the service or
 6-69 compensation should have been reported to the retirement system to

7-1 the date the contributions related to that service or compensation
7-2 are submitted to the retirement system; or
7-3 (2) the preceding school year, the error may be
7-4 corrected if the following requirements are met:
7-5 (A) the member for whom contributions are due is
7-6 employed by the employer and the employer owes the member
7-7 compensation payable in the current year;
7-8 (B) the employer requests from the retirement
7-9 system a waiver of the documentation requirements under Section
7-10 825.408(a) and the request is granted by the retirement system;
7-11 (C) the employer, in the manner prescribed by the
7-12 retirement system:
7-13 (i) submits to the retirement system member
7-14 contributions on the unreported service or compensation in the
7-15 manner provided by Section 825.409 by making the corresponding
7-16 reduction in the compensation owed to the member;
7-17 (ii) submits to the retirement system any
7-18 employer contributions due on the compensation;
7-19 (iii) pays the interest on the
7-20 contributions described by Subparagraphs (i) and (ii) at the rate
7-21 provided by Section 825.408; and
7-22 (iv) corrects the records relating to the
7-23 report months in which the service or compensation are at issue; and
7-24 (D) the error is corrected in accordance with
7-25 this subsection not later than the final day of the school year
7-26 following the school year in which the service or compensation at
7-27 issue was rendered or paid, as applicable.
7-28 (h-2) On receipt of the member and employer contributions
7-29 and the corrected reports under Subsection (h-1), the retirement
7-30 system shall credit the service or compensation, as applicable, to
7-31 the member.
7-32 (h-3) The retirement system may not credit service or
7-33 compensation to a member in the manner provided by Subsections
7-34 (h-1) and (h-2) for service rendered or compensation received by a
7-35 member in any school year before the preceding school year. If
7-36 service is rendered or compensation paid by a member in a school
7-37 year before the preceding school year, the member's ~~[The person's]~~
7-38 employer at the time the unreported service was rendered or
7-39 compensation was paid must verify the service or compensation as
7-40 required by Subsection (j) and the member ~~[person]~~ must submit the
7-41 verification to the retirement system not later than five years
7-42 after the end of the school year in which the service was rendered
7-43 or compensation was paid. To establish the service or compensation
7-44 credit, the member ~~[person]~~ must deposit with the retirement system
7-45 the actuarial present value, at the time of deposit, of the
7-46 additional standard retirement annuity benefits that would be
7-47 attributable to the purchase of service or compensation credit
7-48 under this section, based on rates and tables recommended by the
7-49 retirement system's actuary and adopted by the board of trustees.
7-50 (h-4) The board of trustees shall:
7-51 (1) prescribe terms for payments under Subsections
7-52 (h-1), (h-2), and (h-3) ~~[this subsection]~~; and
7-53 (2) credit the member ~~[person]~~ for prior service and
7-54 compensation to which the member ~~[person]~~ is entitled under this
7-55 subtitle.
7-56 (j) Except as otherwise provided by this section, if ~~[if]~~
7-57 deductions were previously required but not paid, proof of service
7-58 satisfactory to the retirement system must be made before service
7-59 credit is granted or payment for the credit is required. Proof of
7-60 service is sufficient if the member's ~~[person's]~~ employer documents
7-61 that the employer has records made at or near the time of service
7-62 that establish the amount of time worked and salary earned. An
7-63 affidavit based on memory without written records made at or near
7-64 the time of service is not sufficient documentation for the
7-65 establishment of service credit. The retirement system may audit
7-66 records used for documentation under this subsection. A member
7-67 ~~[person]~~ who does not obtain proof of service as required by this
7-68 section may not establish the service or compensation credit.
7-69 SECTION 21. Section 825.408(a), Government Code, is amended

8-1 to read as follows:

8-2 (a) An employer that fails to remit, before the seventh day
8-3 after the last day of a month, all member and employer deposits and
8-4 documentation of the deposits required by this subchapter to be
8-5 remitted by the employer for the month shall pay to the retirement
8-6 system, in addition to the deposits, interest on the unpaid [~~or~~
8-7 ~~undocumented~~] amounts at an annual rate prescribed by this
8-8 subsection and a late fee in an amount determined by the retirement
8-9 system [~~compounded monthly~~]. The rate of interest is the rate
8-10 established under Section 825.313(b)(1), plus two percent.
8-11 Interest required under this subsection [~~section~~] is creditable to
8-12 the interest account. The [~~On request, the~~] retirement system may
8-13 grant a waiver of the deadline imposed by this subsection [~~based on~~
8-14 ~~an employer's financial or technological resources~~].

8-15 SECTION 22. Section 825.4092(c), Government Code, is
8-16 amended to read as follows:

8-17 (c) Except as provided by Subsection (e), each payroll
8-18 period, for each retiree who is enrolled in the Texas Public School
8-19 Employees Group Insurance Program under Chapter 1575, Insurance
8-20 Code, the employer who reports the employment of a retiree shall
8-21 contribute to the trust fund established under that chapter an
8-22 amount established by the retirement system. In determining the
8-23 amount to be contributed by the employer under this subsection, the
8-24 retirement system shall consider [~~any difference between~~] the
8-25 amount the retiree is required to pay for the retiree and any
8-26 enrolled dependents to participate in the group program and the
8-27 average [~~full~~] cost of the retiree's and enrolled dependents'
8-28 participation in the group program [~~, as determined by the~~
8-29 ~~retirement system~~]. If more than one employer reports the retiree
8-30 to the retirement system during a month, the amount of the required
8-31 payment shall be prorated among the employers.

8-32 SECTION 23. Section 825.410(a), Government Code, is amended
8-33 to read as follows:

8-34 (a) Payments to establish special service credit as
8-35 authorized under this subtitle, other than service credit that may
8-36 only be determined and paid for at the time of retirement such as
8-37 unused leave as authorized by Section 823.403, may be made in a lump
8-38 sum by a monthly payroll deduction in an amount not less than
8-39 one-twelfth of the contribution required to establish at least one
8-40 year of service credit, or in equal monthly installments over a
8-41 period not to exceed the lesser of the number of years of credit to
8-42 be purchased or 60 months. Installment and payroll deduction
8-43 payments are due on the first day of each calendar month in the
8-44 payment period. If an installment or payroll deduction payment is
8-45 not made in full within 60 days after the due date, the retirement
8-46 system may refund all installment or payroll deduction payments
8-47 less fees paid on the lump sum due when installment or payroll
8-48 deduction payments began. Partial payment of an installment or
8-49 payroll deduction payment may be treated as nonpayment. A check
8-50 returned for insufficient funds or a closed account shall be
8-51 treated as nonpayment. When two or more consecutive monthly
8-52 payments have a returned check, a refund may be made. [~~If the~~
8-53 ~~retirement system refunds payments pursuant to this subsection, the~~
8-54 ~~member is not permitted to use the installment method of payment or~~
8-55 ~~the payroll deduction method, as applicable, for the same service~~
8-56 ~~for three years after the date of the refund. A member who requests~~
8-57 ~~and receives a refund of installment or payroll deduction payments~~
8-58 ~~also is not permitted to use the same method of payment for the same~~
8-59 ~~service for three years after the date of the refund.]~~

8-60 SECTION 24. Section 825.504, Government Code, is amended by
8-61 amending Subsection (c) and adding Subsection (d) to read as
8-62 follows:

8-63 (c) Each reporting district shall cooperate with the
8-64 retirement system in ascertaining:

8-65 (1) a member's eligibility for membership in the
8-66 retirement system;

8-67 (2) a member's annual earnings, employment status, and
8-68 hours and days worked during any year; and

8-69 (3) any other information the retirement system

9-1 requires from the employer to administer the retirement system's
9-2 benefit plan.

9-3 (d) The board of trustees by rule may prescribe the form of
9-4 and procedures for filing certifications required by this section.

9-5 SECTION 25. Section 825.505, Government Code, is amended to
9-6 read as follows:

9-7 Sec. 825.505. AUDITS. For the purpose of determining the
9-8 propriety of employer reports, including demographic data, and
9-9 contributions or credits, the records of an employer concerning the
9-10 employment and compensation of all its personnel are subject to
9-11 audit and examination, in the offices of the employer during
9-12 regular working hours, by representatives of the retirement system
9-13 designated to conduct the audit and examination.

9-14 SECTION 26. Section 825.508(b), Government Code, is amended
9-15 to read as follows:

9-16 (b) The system must honor a power of attorney executed in
9-17 accordance with Chapter 752, Estates [~~Chapter XII, Section 490,~~
9-18 ~~Texas Probate~~] Code.

9-19 SECTION 27. Section 825.509(b-1), Government Code, is
9-20 amended to read as follows:

9-21 (b-1) Notwithstanding Subsection (b)(3), with respect to a
9-22 distribution made on or after January 1, 2002, an otherwise
9-23 eligible portion of a rollover distribution that consists of
9-24 after-tax employee contributions not includable in gross income is
9-25 an eligible rollover distribution for purposes of this section.
9-26 The eligible portion may be transferred only:

9-27 (1) to an individual retirement account or annuity
9-28 described by Section 408(a) or (b), Internal Revenue Code of 1986;

9-29 (2) to a qualified plan described by Section 403(a),
9-30 Internal Revenue Code of 1986;

9-31 (3) for distributions occurring on or after January 1,
9-32 2007, to a qualified plan described by Section 401(a), Internal
9-33 Revenue Code of 1986, if the plan separately accounts for:

9-34 (A) the amounts transferred and the earnings on
9-35 amounts transferred; and

9-36 (B) the portion of the distribution that is
9-37 includable in gross income and the portion of the distribution that
9-38 is not includable in gross income; or

9-39 (4) to an annuity contract described by Section
9-40 403(b), Internal Revenue Code of 1986, that agrees to separately
9-41 account for amounts transferred and earnings on amounts
9-42 transferred, including for the portion of the distribution that is
9-43 includable in gross income and the portion of the distribution that
9-44 is not includable in gross income.

9-45 SECTION 28. Section 825.515(a), Government Code, is amended
9-46 to read as follows:

9-47 (a) At least annually, the retirement system shall acquire
9-48 and maintain records identifying members and specifying the types
9-49 of positions they hold as members. Employers shall provide to the
9-50 retirement system information specifying the type of position held
9-51 by each member as Administrative/Professional, Teacher/Full-Time
9-52 Librarian, Support, Bus Driver, Food Service Worker, or Peace
9-53 Officer. Employers shall also provide to the retirement system the
9-54 work e-mail address for each member. For each member identified as
9-55 a Peace Officer, the records must specify whether the member is an
9-56 employee of an institution of higher education or of a public school
9-57 that is not an institution of higher education. An employer shall
9-58 provide the information required by this section in the form and
9-59 manner specified by the retirement system.

9-60 SECTION 29. Section 830.201(h), Government Code, is amended
9-61 to read as follows:

9-62 (h) Before November 2 of each even-numbered year, the Texas
9-63 Higher Education Coordinating Board [~~board of trustees~~], in
9-64 coordination with the Legislative Budget Board, shall certify to
9-65 the comptroller for review and adoption an estimate of the amount
9-66 necessary to pay the state's contributions to the retirement system
9-67 for the following biennium. For qualifying employees under
9-68 Subsection (g)(1), the Texas Higher Education Coordinating Board
9-69 [~~board of trustees~~] shall include only the amount payable by the

10-1 state under Subsection (g)(1) in determining the amount to be
10-2 certified.

10-3 SECTION 30. The heading to Chapter 1575, Insurance Code, is
10-4 amended to read as follows:

10-5 CHAPTER 1575. TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP
10-6 BENEFITS PROGRAM

10-7 SECTION 31. Section 1575.002(4), Insurance Code, is amended
10-8 to read as follows:

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

10-12 SECTION 32. Section 1575.004(a), Insurance Code, is amended
10-13 to read as follows:

10-14 (a) In this chapter, "retiree" means:

10-15 (1) an individual not eligible, at the time of the
10-16 individual's retirement, for coverage under a plan provided under
10-17 Chapter 1551 or 1601 who:

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

10-24 (i) the sum of the retiree's age and years
10-25 of service credit in the retirement system equals or exceeds 80 at
10-26 the time of retirement, regardless of whether the retiree had a
10-27 reduction in the retirement annuity for early age; or

10-28 (ii) the retiree has 30 or more years of
10-29 service credit in the retirement system at the time of retirement;

10-30 (B) has taken a service retirement under the
10-31 Teacher Retirement System of Texas after September 1, 2004, but on
10-32 or before August 31, 2005, and on September 1, 2005, either:

10-33 (i) meets the requirements for eligibility
10-34 for the group program for coverage as a retiree as those
10-35 requirements existed on August 31, 2004;

10-36 (ii) meets the requirements of Paragraph
10-37 (A); or

10-38 (iii) is enrolled in the group program and
10-39 was enrolled in the group program on August 31, 2005; or

10-40 (C) has taken a service retirement under the
10-41 Teacher Retirement System of Texas on or before August 31, 2004, and
10-42 who is enrolled in the group program on August 31, 2005;

10-43 (2) an individual who:

10-44 (A) has taken a disability retirement under the
10-45 Teacher Retirement System of Texas; and

10-46 (B) is entitled to receive monthly benefits from
10-47 the Teacher Retirement System of Texas; or

10-48 (3) an individual who:

10-49 (A) has taken a disability retirement under the
10-50 Teacher Retirement System of Texas;

10-51 (B) has at least 10 years of service credit in the
10-52 Teacher Retirement System of Texas on the date of disability
10-53 retirement, as determined under Section 824.304, Government Code;
10-54 and

10-55 (C) is not entitled to receive monthly benefits
10-56 from the Teacher Retirement System of Texas because those benefits
10-57 have been suspended in accordance with Section 824.310, Government
10-58 Code.

10-59 SECTION 33. Section 1575.153, Insurance Code, is amended to
10-60 read as follows:

10-61 Sec. 1575.153. BASIC COVERAGE. A retiree who applies for
10-62 coverage during an enrollment period may not be denied coverage in a
10-63 basic plan provided under this chapter unless:

10-64 (1) the retiree's coverage is suspended under Section
10-65 1575.165; or

10-66 (2) the trustee finds under Subchapter K that the
10-67 retiree defrauded or attempted to defraud the group program.

10-68 SECTION 34. Section 1575.155(a), Insurance Code, is amended
10-69 to read as follows:

11-1 (a) Subject to Section 1575.165, a [A] retiree
11-2 participating in the group program is entitled to secure for the
11-3 retiree's dependents group coverage provided for the retiree under
11-4 this chapter, as determined by the trustee.

11-5 SECTION 35. Section 1575.158(a), Insurance Code, is amended
11-6 to read as follows:

11-7 (a) Subject to Sections [~~Section~~] 1575.1581 and 1575.165,
11-8 the trustee may, in addition to providing a basic plan, contract for
11-9 and make available an optional group health benefit plan for
11-10 retirees, dependents, surviving spouses, or surviving dependent
11-11 children.

11-12 SECTION 36. Subchapter D, Chapter 1575, Insurance Code, is
11-13 amended by adding Section 1575.165 to read as follows:

11-14 Sec. 1575.165. SUSPENSION AND REACTIVATION OF COVERAGE
11-15 UNDER GROUP PROGRAM. (a) Coverage under the group program for a
11-16 retiree and the retiree's dependents shall be suspended during any
11-17 period the retiree is:

11-18 (1) eligible for and elects health benefit coverage
11-19 under a plan provided under Chapter 1551 or 1601; or

11-20 (2) employed by a public school and is, as a result of
11-21 that employment, eligible for health benefit coverage offered by
11-22 the school.

11-23 (b) During the period a retiree's coverage under the group
11-24 program is suspended under this section, the retiree and the
11-25 retiree's dependents shall remain enrolled in the group program.

11-26 (c) A retiree and the retiree's eligible dependents whose
11-27 coverage under the group program is suspended under this section
11-28 shall be reactivated at the time the retiree:

11-29 (1) ceases to be covered under a plan provided under
11-30 Chapter 1551 or 1601, if the retiree is subject to Subsection
11-31 (a)(1); or

11-32 (2) terminates employment with or ceases to be
11-33 eligible for health benefit coverage offered by a public school, if
11-34 the retiree is subject to Subsection (a)(2).

11-35 (d) The trustee shall adopt rules necessary to implement
11-36 this section.

11-37 SECTION 37. Section 1575.204(b), Insurance Code, is amended
11-38 to read as follows:

11-39 (b) Each state fiscal year, each employer who reports to the
11-40 retirement system under Section 824.6022, Government Code, the
11-41 employment of a retiree who is enrolled in and receiving coverage
11-42 under the group program shall contribute to the fund an amount
11-43 established by the trustee. In determining the amount to be
11-44 contributed by the employer under this subsection, the trustee
11-45 shall consider the [~~difference, if any, between the contribution~~]
11-46 amount a [that the reported] retiree is required to pay for the
11-47 retiree and any enrolled dependents to participate in the group
11-48 program and the [full] cost of all retirees' [the retiree's] and
11-49 enrolled dependents' participation in the group program[, as
11-50 determined by the trustee]. If more than one employer reports the
11-51 retiree to the retirement system during a month, the amount of the
11-52 contribution required by this subsection shall be prorated among
11-53 the employers. The amounts required to be paid under this
11-54 subsection are not required to be paid by a reporting employer for a
11-55 retiree who retired from the retirement system before September 1,
11-56 2005.

11-57 SECTION 38. Section 1575.207, Insurance Code, is amended to
11-58 read as follows:

11-59 Sec. 1575.207. INTEREST ASSESSED ON LATE PAYMENT OF
11-60 DEPOSITS BY EMPLOYING PUBLIC SCHOOLS. (a) An employing public
11-61 school that does not remit to the trustee all contributions
11-62 required by this subchapter before the seventh day after the last
11-63 day of the month shall pay to the fund:

11-64 (1) the contributions; and

11-65 (2) interest on the unpaid amounts at the annual rate
11-66 of six percent [~~compounded monthly~~].

11-67 (b) The [On request, the] trustee may grant a waiver of the
11-68 deadline imposed by this section [based on an employing public
11-69 school's financial or technological resources].

12-1 SECTION 39. Section 1579.003, Insurance Code, is amended to
12-2 read as follows:

12-3 Sec. 1579.003. DEFINITION OF EMPLOYEE. In this chapter,
12-4 "employee" means an individual ~~[a participating member of the~~
12-5 ~~Teacher Retirement System of Texas]~~ who is regularly employed by a
12-6 participating entity for an average of at least 10 hours per week
12-7 and who is not receiving coverage from a program under Chapter 1551,
12-8 1575, or 1601. The term does not include an individual performing
12-9 personal services as an independent contractor.

12-10 SECTION 40. Section 1579.004, Insurance Code, is amended to
12-11 read as follows:

12-12 Sec. 1579.004. DEFINITION OF DEPENDENT. In this chapter,
12-13 "dependent" means:

12-14 (1) a spouse of an ~~[a full-time employee or part-time]~~
12-15 employee;

12-16 (2) a child of an ~~[a full-time or part-time]~~ employee
12-17 if the child is younger than 26 years of age, including:

12-18 (A) an adopted child or child who is lawfully
12-19 placed for adoption;

12-20 (B) a foster child, stepchild, or other child who
12-21 is in a regular parent-child relationship; and

12-22 (C) a natural child;

12-23 (3) an ~~[a full-time or part-time]~~ employee's natural
12-24 child, adopted child, foster child, stepchild, or other child who
12-25 is in a regular parent-child relationship and who lives with or has
12-26 his or her care provided by the employee or the surviving spouse on
12-27 a regular basis, regardless of the child's age, if the child has a
12-28 mental disability or is physically incapacitated to an extent that
12-29 the child is dependent on the employee or surviving spouse for care
12-30 or support, as determined by the board of trustees; and

12-31 (4) notwithstanding any other provision of this code,
12-32 any other dependent of an ~~[a full-time or part-time]~~ employee
12-33 specified by rules adopted by the board of trustees.

12-34 SECTION 41. Section 1579.006(a), Insurance Code, is amended
12-35 to read as follows:

12-36 (a) The following are exempt from execution, attachment,
12-37 garnishment, or any other process:

12-38 (1) benefit payments, including optional benefit
12-39 payments;

12-40 (2) contributions of ~~[active]~~ employees, the state,
12-41 and a participating entity, and any other contributions;

12-42 (3) any rights, benefits, or payments accruing to any
12-43 person under this chapter; and

12-44 (4) any money in the Texas school employees uniform
12-45 group coverage trust fund.

12-46 SECTION 42. Section 1579.202, Insurance Code, is amended to
12-47 read as follows:

12-48 Sec. 1579.202. ELIGIBLE EMPLOYEES. (a) Except as provided
12-49 by Section 1579.204, participation in the program is limited to
12-50 employees of participating entities who are full-time or ~~[employees~~
12-51 ~~and to]~~ part-time employees ~~[who are participating members in the~~
12-52 ~~Teacher Retirement System of Texas]~~.

12-53 (b) An employee described by Subsection (a) who applies for
12-54 coverage during an open enrollment period prescribed by the trustee
12-55 is automatically covered by the catastrophic care coverage plan
12-56 unless the employee:

12-57 (1) ~~[specifically waives coverage under this chapter,~~
12-58 ~~(2)]~~ selects a higher tier coverage plan; or

12-59 (2) ~~(3)]~~ is expelled from the program.

12-60 SECTION 43. Section 1579.204, Insurance Code, is amended to
12-61 read as follows:

12-62 Sec. 1579.204. CERTAIN PART-TIME EMPLOYEES.
12-63 Notwithstanding any other provision of this chapter, a [A]
12-64 part-time employee of a participating entity ~~[who is not a~~
12-65 ~~participating member in the Teacher Retirement System of Texas]~~ is
12-66 eligible to participate in the program only if the employee pays all
12-67 of the premiums and other costs associated with the health coverage
12-68 plan selected for [by] the employee and the employee's dependents.

12-69 SECTION 44. Section 1579.255, Insurance Code, is amended to

13-1 read as follows:

13-2 Sec. 1579.255. INTEREST ASSESSED ON LATE PAYMENT OF
13-3 CONTRIBUTIONS BY PARTICIPATING ENTITIES. (a) A participating
13-4 entity that does not remit to the trustee all contributions
13-5 required by this subchapter before the 16th [~~seventh~~] day [~~after~~
13-6 ~~the last day~~] of the month shall pay to the Texas school employees
13-7 uniform group coverage trust fund:

- 13-8 (1) the contributions; and
- 13-9 (2) interest on the unpaid amounts at the annual rate
13-10 of six percent compounded monthly.

13-11 (b) The [~~On request, the~~] trustee may grant a waiver of the
13-12 deadline imposed by this section based on a participating entity's
13-13 financial or technological resources.

13-14 SECTION 45. Section 1581.001(1), Insurance Code, is amended
13-15 to read as follows:

13-16 (1) "Participating employee" means an employee of a
13-17 school district, other educational district whose employees are
13-18 members of the Teacher Retirement System of Texas, participating
13-19 charter school, or regional education service center who
13-20 participates in a group health coverage plan provided by or through
13-21 the district, school, or service center, including an employee
13-22 whose coverage under the group program established under Chapter
13-23 1575 has been suspended.

13-24 SECTION 46. Subchapter B, Chapter 1581, Insurance Code, is
13-25 amended by adding Section 1581.055 to read as follows:

13-26 Sec. 1581.055. REPORTING REQUIREMENT. Each school
13-27 district, other educational district whose employees are members of
13-28 the Teacher Retirement System of Texas, participating charter
13-29 school, and regional education service center shall annually report
13-30 to the Teacher Retirement System of Texas, under rules adopted by
13-31 the retirement system, the monthly amount each uses to provide
13-32 health coverage under this chapter.

13-33 SECTION 47. The following provisions are repealed:

- 13-34 (1) Section 825.404(b-1), Government Code; and
- 13-35 (2) Section 1579.106(c), Insurance Code.

13-36 SECTION 48. Section 821.001(4), Government Code, as amended
13-37 by this Act, applies only to a member of the Teacher Retirement
13-38 System of Texas who retires on or after the effective date of this
13-39 Act.

13-40 SECTION 49. Sections 821.001(6) and 822.001, Government
13-41 Code, as amended by this Act, apply only to a person who becomes a
13-42 member of the Teacher Retirement System of Texas on or after the
13-43 effective date of this Act.

13-44 SECTION 50. Section 825.4092(c), Government Code, as
13-45 amended by this Act, applies to a retiree of the Teacher Retirement
13-46 System of Texas regardless of whether the person retired from
13-47 employment before, on, or after the effective date of this Act.

13-48 SECTION 51. The changes in law made by this Act apply only
13-49 to health benefit plans provided under Chapters 1575, 1579, and
13-50 1581, Insurance Code, beginning with the first plan year that
13-51 begins on or after September 1, 2015. A plan year that begins
13-52 before September 1, 2015, is governed by the law as it existed
13-53 immediately before that date and that law is continued in effect for
13-54 that purpose.

13-55 SECTION 52. This Act takes effect September 1, 2015.

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13-56