

By: Anderson of Dallas

H.B. No. 1906

A BILL TO BE ENTITLED

1 AN ACT

2 relating to retirement benefits for certain peace officers who are  
3 members of the Teacher Retirement System of Texas, including the  
4 creation of a peace officer supplemental retirement fund.

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

6 SECTION 1. Section 821.001, Government Code, is amended by  
7 adding Subdivision (11-a) to read as follows:

8 (11-a) "Peace officer" means a member of the  
9 retirement system who is elected, employed, or appointed as a peace  
10 officer under Article 2.12, Code of Criminal Procedure, Section  
11 37.081 or 51.203, Education Code, or other law.

12 SECTION 2. Section 822.005, Government Code, is amended by  
13 adding Subsection (e) to read as follows:

14 (e) For a peace officer, the withdrawal of accumulated  
15 contributions under Subsection (a) includes all of the officer's  
16 contributions made under Section 825.403.

17 SECTION 3. Section 824.202, Government Code, is amended by  
18 adding Subsection (g) to read as follows:

19 (g) Notwithstanding any other law, a member who is at least  
20 55 years old and who has at least 10 years of service credit as a  
21 peace officer engaged in law enforcement activities by a school  
22 district or institution of higher education is eligible to retire  
23 and receive a service retirement annuity.

24 SECTION 4. Subchapter C, Chapter 824, Government Code, is

1 amended by adding Section 824.2035 to read as follows:

2 Sec. 824.2035. SERVICE RETIREMENT BENEFITS FOR CERTAIN  
3 PEACE OFFICERS. (a) A member who has at least 20 years of service  
4 credit as a peace officer is eligible to retire regardless of age  
5 and receive a standard service retirement annuity in an amount and  
6 to be funded as provided by this section.

7 (b) The standard service retirement annuity payable for at  
8 least 20 years of service credit as a peace officer is an amount  
9 computed on the basis of the member's average annual compensation  
10 for the five years of service, whether or not consecutive, in which  
11 the member received the highest annual compensation, times the sum  
12 of the percentage factor used in the computation of a standard  
13 service retirement annuity under Section 824.203 plus 0.5 percent.

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

25 (d) A peace officer who retires before attaining the age of  
26 50 is entitled only to an annuity that is actuarially reduced from  
27 the annuity available at the age of 50 to the peace officer whose

1 service credit annuity amount is based on the sum of the member's  
2 age and amount of peace officer service credit and other service  
3 credit, and is not entitled to have the annuity recalculated at  
4 normal retirement age. The standard or reduced annuity under this  
5 section is payable from appropriate accounts described by Section  
6 825.306 and the peace officer supplemental retirement fund in a  
7 ratio determined by the retirement system.

8 (e) Optional retirement annuities provided by Section  
9 824.204 are available to a member eligible to receive a service  
10 retirement annuity under this section, but the same optional plan  
11 and beneficiary must be selected for the portion of the annuity  
12 payable from the peace officer supplemental retirement fund and the  
13 portion payable from appropriate accounts described by Section  
14 825.306.

15 (f) The amount payable from the peace officer supplemental  
16 retirement fund is reducible by the amount paid from appropriate  
17 accounts described by Section 825.306 for service as a peace  
18 officer. The total combined amount of an annuity under this section  
19 may not be less than the authorized benefit under Subsection (b)  
20 subtracted by any amount necessary because of selection of an  
21 optional annuity, because of retirement before the normal  
22 retirement age, or as provided by Subsection (g).

23 (g) The standard combined service retirement annuity  
24 payable for at least 20 years of service credit as a peace officer  
25 may not exceed 100 percent of the average compensation computed  
26 under Subsection (b).

27 (h) For purposes of this section, service as a peace officer

1 is creditable as provided by rule of the board of trustees or on a  
2 month-to-month basis, whichever is greater.

3 SECTION 5. Subchapter D, Chapter 824, Government Code, is  
4 amended by adding Section 824.3045 to read as follows:

5 Sec. 824.3045. DISABILITY RETIREMENT BENEFITS FOR CERTAIN  
6 PEACE OFFICERS. (a) An annuity payable for a disability resulting  
7 from a risk to which peace officers are exposed because of the  
8 nature of the officers' duties is payable under the same terms and  
9 conditions that apply to other disability retirement annuities  
10 under this subtitle, except that the source and amount of the  
11 annuity are as provided by this section.

12 (b) Except as provided by Subsection (c), a disability  
13 retirement annuity under this section is an amount, but not more  
14 than 100 percent, computed on the basis of the officer's average  
15 annual compensation, times a percentage derived by application of  
16 Section 824.2035(b).

17 (c) A disability retirement annuity under this section is  
18 not reducible because of age and may not be less than 50 percent of  
19 the officer's average annual compensation regardless of the amount  
20 of service credited to the officer.

21 (d) The portions of the annuity under this section payable  
22 from the peace officer supplemental retirement fund are the amount  
23 remaining after deduction of any amount payable under Section  
24 824.304, except the portion of an amount that exceeds the minimum  
25 payments provided by Section 824.304 and that is made for service  
26 other than as a peace officer and any amount by which an annuity is  
27 increased under Subsection (e).

1       (e) If a retiring member or retiree under this section  
2 presents evidence satisfactory to the retirement system that the  
3 person's disability makes the person incapable of substantial  
4 gainful activity solely because of the disability and is considered  
5 a total disability under federal social security law, the  
6 retirement system shall increase the person's disability  
7 retirement annuity to 100 percent of the officer's average annual  
8 compensation.

9       (f) An annuity increase under Subsection (e) is not payable  
10 before the first month following the month in which the  
11 satisfactory evidence is received by the retirement system under  
12 Subsection (e).

13       SECTION 6. Subchapter E, Chapter 824, Government Code, is  
14 amended by adding Section 824.4025 to read as follows:

15       Sec. 824.4025. ANNUITY FOR SURVIVOR OF PEACE OFFICER. If a  
16 member who has at least 20 years of service credit as a peace  
17 officer dies, the amount of the death benefit annuity payable for  
18 the member's service as a peace officer is an amount computed and  
19 funded as provided by Section 824.2035, including any applicable  
20 reduction factors.

21       SECTION 7. Section 825.102, Government Code, is amended to  
22 read as follows:

23       Sec. 825.102. RULEMAKING. Subject to the limitations of  
24 this subtitle, the board of trustees may adopt rules for:

- 25               (1) eligibility for membership;
- 26               (2) the administration of the funds of the retirement
- 27 system; ~~and~~

- 1           (3) the transaction of business of the board; and  
2           (4) the program of supplemental benefits for peace  
3 officers.

4           SECTION 8. Section 825.103, Government Code, is amended by  
5 adding Subsection (b-1) to read as follows:

6           (b-1) The board of trustees may authorize the executive  
7 director to acquire, hold, manage, purchase, sell, assign, trade,  
8 transfer, and dispose of any security, evidence of debt, or other  
9 investment in which assets of the peace officer supplemental  
10 retirement fund may be invested.

11          SECTION 9. Section 825.208, Government Code, is amended by  
12 adding Subsection (d) to read as follows:

13          (d) The board of trustees shall make payments from the peace  
14 officer supplemental retirement fund for services rendered by the  
15 actuary for that fund and approved by the board.

16          SECTION 10. Section 825.301(a), Government Code, is amended  
17 to read as follows:

18          (a) The board of trustees shall invest and reinvest assets  
19 of the retirement system without distinction as to their source in  
20 accordance with Section 67, Article XVI, Texas Constitution, and  
21 hold securities purchased with the assets described by this  
22 subsection collectively for the proportionate benefit of all  
23 accounts listed under Section 825.306 and the peace officer  
24 supplemental retirement fund. For purposes of the investment  
25 authority of the board of trustees under Section 67, Article XVI,  
26 Texas Constitution, "securities" means any investment instrument  
27 within the meaning of the term as defined by Section 4, The

1 Securities Act (Article 581-4, Vernon's Texas Civil Statutes), 15  
2 U.S.C. Section 77b(a)(1), or 15 U.S.C. Section 78c(a)(10). An  
3 interest in a limited partnership or investment contract is  
4 considered a security without regard to the number of investors or  
5 the control, access to information, or rights granted to or  
6 retained by the retirement system. Any instrument or contract  
7 intended to manage transaction or currency exchange risk in  
8 purchasing, selling, or holding securities is considered to be a  
9 security. Investment decisions are subject to the standard  
10 provided in the Texas Trust Code by Section 117.004(b), Property  
11 Code.

12 SECTION 11. Section 825.305, Government Code, is amended to  
13 read as follows:

14 Sec. 825.305. AVAILABLE CASH. The board of trustees may  
15 keep on deposit with the comptroller available cash not exceeding  
16 10 percent of the total assets of the retirement system, to pay  
17 annuity and other disbursements, excluding the assets of the peace  
18 officer supplemental retirement fund.

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

21 Sec. 825.306. CREDITING SYSTEM ASSETS. The assets of the  
22 retirement system, except assets of the peace officer supplemental  
23 retirement fund, shall be credited, according to the purpose for  
24 which they are held, to one of the following accounts:

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

- (4) interest account;
- (5) expense account; or
- (6) deferred retirement option account.

SECTION 13. Subchapter D, Chapter 825, Government Code, is amended by adding Section 825.316 to read as follows:

Sec. 825.316. PEACE OFFICER SUPPLEMENTAL RETIREMENT FUND.

(a) The retirement system shall deposit in the peace officer supplemental retirement fund state contributions and other appropriations made by the legislature to the fund and proceeds from investment of the fund.

(b) The retirement system may use money from the fund only to pay supplemental retirement, disability, and death benefits to peace officers as provided by this subtitle and to pay for the administration of the fund.

(c) Money appropriated to pay benefits from the fund as provided by this subtitle may not be diverted or used to pay any other benefits.

(d) Member contributions to the fund deducted under Section 825.403(a-1):

(1) earn interest at the same rate as money in an individual account in the member savings account under Section 825.307; and

(2) are subject to the same computations and limitations that apply to member contributions under Section 825.307.

SECTION 14. Section 825.403, Government Code, is amended by adding Subsection (a-1) to read as follows:



1        (a-1) In addition to the contribution under Subsection (a),  
2 each employer of a peace officer shall deduct an additional 0.5  
3 percent contribution from that member's compensation, to be  
4 deposited in the peace officer supplemental retirement fund,  
5 provided that, if the state contribution to the peace officer  
6 supplemental retirement fund is computed using a percentage less  
7 than 0.5 percent, the member's contribution is computed using a  
8 percentage equal to the percentage used to compute the state  
9 contribution.

10        SECTION 15. Sections 825.404(a), (a-1), (b), and (b-1),  
11 Government Code, are amended to read as follows:

12        (a) Except as provided by Subsection (a-1), during each  
13 fiscal year, the state shall contribute to the retirement system:

14            (1) an amount equal to at least six and not more than  
15 10 percent of the aggregate annual compensation of all members of  
16 the retirement system during that fiscal year;

17            (2) an amount for the peace officer supplemental  
18 retirement fund equal to 2.13 percent of the aggregate state  
19 compensation of all peace officers for that fiscal year; and

20            (3) money necessary for the administration of the  
21 peace officer supplemental retirement fund.

22        (a-1) In computing the amount owed by the state under  
23 Subsection (a)(1) [~~(a)~~], the compensation of members who are  
24 employed by public junior colleges or public junior college  
25 districts shall be included in the aggregate annual compensation as  
26 follows:

27            (1) 50 percent of the eligible creditable compensation

1 of employees who:

2 (A) otherwise are eligible for membership in the  
3 retirement system; and

4 (B) are instructional or administrative  
5 employees whose salaries may be fully paid from funds appropriated  
6 under the General Appropriations Act, regardless of whether such  
7 salaries are actually paid from appropriated funds; and

8 (2) none of the eligible creditable compensation of  
9 all other employees who:

10 (A) do not meet the requirements of Subdivision  
11 (1)(B) but are otherwise eligible for membership in the retirement  
12 system; or

13 (B) cannot be included as a qualifying employee  
14 under Subdivision (1) by application of Subsection (b-1).

15 (b) Before November 2 of each even-numbered year, the board  
16 of trustees, in coordination with the Legislative Budget Board,  
17 shall certify to the comptroller of public accounts for review and  
18 adoption an estimate of the amount necessary to pay the state's  
19 contributions to the retirement system for the following biennium  
20 and, as a separate item, an estimate of the amount required to  
21 administer the peace officer supplemental retirement fund for the  
22 following biennium. For qualifying employees under Subsection  
23 (a-1)(1), the board of trustees shall include only the amount  
24 payable by the state under Subsection (a-1)(1) in determining the  
25 amount to be certified.

26 (b-1) In determining the amount necessary to pay the state's  
27 contribution under [~~described by~~] Subsection (b), excluding the

1 amount required to administer the peace officer supplemental  
2 retirement fund, the number of qualifying employees under  
3 Subsection (a-1)(1) whose compensation may be included for each  
4 public junior college or public junior college district in each  
5 biennium may not be adjusted in a proportion greater than the change  
6 in student enrollment at each college during the reporting period  
7 except that a college that experiences a decline in student  
8 enrollment may petition the Legislative Budget Board to maintain  
9 the number of eligible employees up to 98 percent of the level of  
10 the prior biennium.

11 SECTION 16. Subchapter F, Chapter 825, Government Code, is  
12 amended by adding Section 825.5155 to read as follows:

13 Sec. 825.5155. CERTIFICATION OF NAMES OF PEACE OFFICERS.  
14 Not later than the 12th day of the month following the month in  
15 which a person begins or ceases employment as a peace officer, the  
16 employer shall certify to the retirement system, in the manner  
17 prescribed by the system, the name of the employee and such other  
18 information as the system determines is necessary for the crediting  
19 of service and financing of benefits under this subtitle.

20 SECTION 17. (a) Except as provided by Subsection (b) of this  
21 section, employers participating in the Teacher Retirement System  
22 of Texas shall begin making deductions and collecting the  
23 contributions for the peace officer supplemental retirement fund as  
24 provided by Section 825.403(a-1), Government Code, as added by this  
25 Act, based on service that is performed on or after December 31,  
26 2017.

27 (b) The board of trustees of the Teacher Retirement System

1 of Texas shall adopt rules as soon as possible after the effective  
2 date of this Act to implement the changes in law made by this Act,  
3 including rules governing the treatment of a member of the Teacher  
4 Retirement System of Texas whose employment as a peace officer  
5 began before December 31, 2017. Rules adopted under this section  
6 relating to a member whose employment as a peace officer began  
7 before December 31, 2017, must include rules that:

8           (1) notwithstanding any provision of this Act, allow  
9 the member to opt out of participating in the peace officer  
10 supplemental retirement fund provided by Section 825.403(a-1),  
11 Government Code, as added by this Act; and

12           (2) ensure that any benefit paid to the member from the  
13 peace officer supplemental retirement fund is reasonably related to  
14 the member's contribution to the fund.

15           SECTION 18. This Act takes effect September 1, 2017.