

1-1 By: Huffman, et al. S.B. No. 12
 1-2 (In the Senate - Filed March 4, 2019; March 7, 2019, read
 1-3 first time and referred to Committee on State Affairs;
 1-4 March 18, 2019, reported adversely, with favorable Committee
 1-5 Substitute by the following vote: Yeas 9, Nays 0; March 18, 2019,
 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. 12 By: Huffman

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

1-21 relating to the contributions to and benefits under the Teacher
 1-22 Retirement System of Texas.

1-23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-24 SECTION 1. Section 825.402, Government Code, is amended to
 1-25 read as follows:

1-26 Sec. 825.402. RATE OF MEMBER CONTRIBUTIONS. The rate of
 1-27 contributions for each member of the retirement system is:

1-28 (1) five percent of the member's annual compensation
 1-29 or \$180, whichever is less, for service rendered after August 31,
 1-30 1937, and before September 1, 1957;

1-31 (2) six percent of the first \$8,400 of the member's
 1-32 annual compensation for service rendered after August 31, 1957, and
 1-33 before September 1, 1969;

1-34 (3) six percent of the member's annual compensation
 1-35 for service rendered after August 31, 1969, and before the first day
 1-36 of the 1977-78 school year;

1-37 (4) 6.65 percent of the member's annual compensation
 1-38 for service rendered after the last day of the period described by
 1-39 Subdivision (3) and before September 1, 1985;

1-40 (5) 6.4 percent of the member's annual compensation
 1-41 for service rendered after August 31, 1985, and before September 1,
 1-42 2014;

1-43 (6) 6.7 percent of the member's annual compensation
 1-44 for service rendered after August 31, 2014, and before September 1,
 1-45 2015;

1-46 (7) 7.2 percent of the member's annual compensation
 1-47 for service rendered after August 31, 2015, and before September 1,
 1-48 2016;

1-49 (8) 7.7 percent of the member's annual compensation
 1-50 for service rendered after August 31, 2016, and before September 1,
 1-51 2017; ~~and~~

1-52 (9) for compensation paid ~~[service rendered]~~ on or
 1-53 after September 1, 2017, and before September 1, 2019, the lesser
 1-54 of:

1-55 (A) 7.7 percent of the member's annual
 1-56 compensation; or

1-57 (B) a percentage of the member's annual
 1-58 compensation equal to 7.7 percent reduced by one-tenth of one
 1-59 percent for each one-tenth of one percent that the state
 1-60 contribution rate for the fiscal year to which the compensation

2-1 [~~service~~] relates is less than the state contribution rate
 2-2 established for the 2015 fiscal year;
 2-3 (10) for compensation paid on or after September 1,
 2-4 2019, and before September 1, 2021, the lesser of:
 2-5 (A) 7.7 percent of the member's annual
 2-6 compensation; or
 2-7 (B) a percentage of the member's annual
 2-8 compensation equal to 7.7 percent reduced by one-tenth of one
 2-9 percent for each one-tenth of one percent that the state
 2-10 contribution rate for the fiscal year to which the compensation
 2-11 relates is less than the state contribution rate established for
 2-12 that fiscal year under Section 825.404(a-2);
 2-13 (11) for compensation paid on or after September 1,
 2-14 2021, but before September 1, 2023, the lesser of:
 2-15 (A) eight percent of the member's annual
 2-16 compensation; or
 2-17 (B) a percentage of the member's annual
 2-18 compensation equal to eight percent reduced by one-tenth of one
 2-19 percent for each one-tenth of one percent that the state
 2-20 contribution rate for the fiscal year to which the compensation
 2-21 relates is less than the state contribution rate established for
 2-22 that fiscal year under Section 825.404(a-2); and
 2-23 (12) for compensation paid on or after September 1,
 2-24 2023, the lesser of:
 2-25 (A) 8.25 percent of the member's annual
 2-26 compensation; or
 2-27 (B) a percentage of the member's annual
 2-28 compensation equal to 8.25 percent reduced by one-tenth of one
 2-29 percent for each one-tenth of one percent that the state
 2-30 contribution rate for the fiscal year to which the service relates
 2-31 is less than the state contribution rate established for that
 2-32 fiscal year under Section 825.404(a-2).
 2-33 SECTION 2. Section 825.4035, Government Code, is amended by
 2-34 amending Subsections (b) and (c) and adding Subsection (e) to read
 2-35 as follows:
 2-36 (b) Except as provided in Subsection (c), for each member
 2-37 the employer reports to the retirement system and for whom the
 2-38 employer is not making contributions to the federal Old-Age,
 2-39 Survivors, and Disability Insurance program, the employer shall
 2-40 contribute monthly to the retirement system for each such member:
 2-41 (1) for the period beginning with the report month of
 2-42 September 2014 and ending with the report month of August 2015, an
 2-43 amount equal to 1.5 percent of the member's compensation; ~~and~~
 2-44 (2) beginning with the report month for September 2015
 2-45 and ending with the report month of August 2019, an amount equal to
 2-46 the lesser of:
 2-47 (A) 1.5 percent of the member's compensation; or
 2-48 (B) a percentage of the member's compensation
 2-49 equal to 1.5 percent reduced by one-tenth of one percent for each
 2-50 one-tenth of one percent that the state contribution rate for the
 2-51 fiscal year to which the report month relates is less than the state
 2-52 contribution rate established for the 2015 fiscal year;
 2-53 (3) beginning with the report month of September 2019
 2-54 and ending with the report month of August 2020, an amount equal to
 2-55 the lesser of:
 2-56 (A) 1.5 percent of the member's compensation; or
 2-57 (B) a percentage of the member's compensation
 2-58 equal to 1.5 percent reduced by one-tenth of one percent for each
 2-59 one-tenth of one percent that the state contribution rate for the
 2-60 fiscal year to which the report month relates is less than the state
 2-61 contribution rate established for that fiscal year under Section
 2-62 825.404(a-2); and
 2-63 (4) beginning with the report month of September 2020
 2-64 and for each subsequent report month, an amount equal to the lesser
 2-65 of:
 2-66 (A) a percentage of the member's compensation
 2-67 equal to the rate of contribution provided for the applicable
 2-68 fiscal year under Subsection (e); or
 2-69 (B) a percentage of the member's compensation

3-1 equal to the percentage provided by Paragraph (A) reduced by
 3-2 one-tenth of one percent for each one-tenth of one percent that the
 3-3 state contribution rate for the fiscal year to which the report
 3-4 month relates is less than the state contribution rate established
 3-5 for that fiscal year under Section 825.404(a-2).

3-6 (c) If a member is entitled to the minimum salary for
 3-7 certain school personnel under Section 21.402, Education Code, or
 3-8 if a member would have been entitled to the minimum salary for
 3-9 certain school personnel under former Section 16.056, Education
 3-10 Code, as that section existed on January 1, 1995, the employer
 3-11 shall, in addition to any contributions required under Section
 3-12 825.405, contribute monthly to the retirement system for each such
 3-13 member:

3-14 (1) for the period beginning with the report month of
 3-15 September 2014 and ending with the report month of August 2015, an
 3-16 amount equal to 1.5 percent of the statutory minimum salary
 3-17 determined under Section 825.405(b); ~~and~~

3-18 (2) beginning with the report month for September 2015
 3-19 and ending with the report month of August 2019, an amount equal to
 3-20 the lesser of:

3-21 (A) 1.5 percent of the statutory minimum salary
 3-22 determined under Section 825.405(b); or

3-23 (B) a percentage of the statutory minimum salary
 3-24 determined under Section 825.405(b) equal to 1.5 percent reduced by
 3-25 one-tenth of one percent for each one-tenth of one percent that the
 3-26 state contribution rate for the fiscal year to which the report
 3-27 month relates is less than the state contribution rate established
 3-28 for the 2015 fiscal year;

3-29 (3) beginning with the report month of September 2019
 3-30 and ending with the report month of August 2020, an amount equal to
 3-31 the lesser of:

3-32 (A) 1.5 percent of the statutory minimum salary
 3-33 determined under Section 825.405(b); or

3-34 (B) a percentage of the statutory minimum salary
 3-35 determined under Section 825.405(b) equal to 1.5 percent reduced by
 3-36 one-tenth of one percent for each one-tenth of one percent that the
 3-37 state contribution rate for the fiscal year to which the report
 3-38 month relates is less than the state contribution rate established
 3-39 for that fiscal year under Section 825.404(a-2); and

3-40 (4) beginning with the report month of September 2020
 3-41 and for each subsequent report month, an amount equal to the lesser
 3-42 of:

3-43 (A) a percentage of the statutory minimum salary
 3-44 determined under Section 825.405(b) equal to the rate of
 3-45 contribution provided for the applicable fiscal year under
 3-46 Subsection (e); or

3-47 (B) a percentage of the statutory minimum salary
 3-48 determined under Section 825.405(b) equal to the percentage
 3-49 provided by Paragraph (A) reduced by one-tenth of one percent for
 3-50 each one-tenth of one percent that the state contribution rate for
 3-51 the fiscal year to which the report month relates is less than the
 3-52 state contribution rate established for that fiscal year under
 3-53 Section 825.404(a-2).

3-54 (e) For purposes of Subsections (b)(4)(A) and (c)(4)(A),
 3-55 the rate of contribution is:

3-56 (1) 1.6 percent beginning with the report month of
 3-57 September 2020 and ending with the report month of August 2021;

3-58 (2) 1.7 percent beginning with the report month of
 3-59 September 2021 and ending with the report month of August 2022;

3-60 (3) 1.8 percent beginning with the report month of
 3-61 September 2022 and ending with the report month of August 2023;

3-62 (4) 1.9 percent beginning with the report month of
 3-63 September 2023 and ending with the report month of August 2024; and

3-64 (5) two percent beginning with the report month of
 3-65 September 2024 and for each subsequent report month.

3-66 SECTION 3. Section 825.404, Government Code, is amended by
 3-67 amending Subsections (a) and (a-1) and adding Subsection (a-2) to
 3-68 read as follows:

3-69 (a) Except as provided by Subsection (a-1) and subject to

4-1 Subsection (a-2), during each fiscal year, the state shall
4-2 contribute to the retirement system an amount equal to at least six
4-3 and not more than 10 percent of the aggregate annual compensation of
4-4 all members of the retirement system during that fiscal year.

4-5 (a-1) In computing the amount owed by the state under this
4-6 section [~~Subsection (a)~~], the compensation of members who are
4-7 employed by public junior colleges or public junior college
4-8 districts shall be included in the aggregate annual compensation as
4-9 follows:

4-10 (1) 50 percent of the eligible creditable compensation
4-11 of employees who:

4-12 (A) otherwise are eligible for membership in the
4-13 retirement system; and

4-14 (B) are instructional or administrative
4-15 employees whose salaries may be fully paid from funds appropriated
4-16 under the General Appropriations Act, regardless of whether such
4-17 salaries are actually paid from appropriated funds; and

4-18 (2) none of the eligible creditable compensation of
4-19 all other employees who:

4-20 (A) do not meet the requirements of Subdivision
4-21 (1)(B) but are otherwise eligible for membership in the retirement
4-22 system; or

4-23 (B) cannot be included as a qualifying employee
4-24 under Subdivision (1) by application of Subsection (b-1).

4-25 (a-2) The state contribution required by Subsection (a) is:

4-26 (1) for the fiscal year beginning on September 1,
4-27 2019, 7.25 percent of the aggregate annual compensation of all
4-28 members of the retirement system during that fiscal year;

4-29 (2) for the fiscal year beginning on September 1,
4-30 2020, 7.5 percent of the aggregate annual compensation of all
4-31 members of the retirement system during that fiscal year;

4-32 (3) for the fiscal year beginning on September 1,
4-33 2021, 7.75 percent of the aggregate annual compensation of all
4-34 members of the retirement system during that fiscal year;

4-35 (4) for the fiscal year beginning on September 1,
4-36 2022, eight percent of the aggregate annual compensation of all
4-37 members of the retirement system during that fiscal year; and

4-38 (5) for the fiscal year beginning on September 1,
4-39 2023, and each subsequent fiscal year, 8.25 percent of the
4-40 aggregate annual compensation of all members of the retirement
4-41 system during that fiscal year.

4-42 SECTION 4. (a) The Teacher Retirement System of Texas
4-43 shall make a one-time supplemental payment of a retirement or death
4-44 benefit, as provided by this section.

4-45 (b) The supplemental payment is payable not earlier than the
4-46 first calendar month after the calendar month in which the state
4-47 transfers to the Teacher Retirement System of Texas the amount
4-48 described by Subsection (i) of this section. To the extent
4-49 practicable, the Teacher Retirement System of Texas shall issue the
4-50 supplemental payment on a date or dates that coincide with the
4-51 regular annuity payment payable to each eligible annuitant.

4-52 (c) The amount of the supplemental payment is equal to the
4-53 lesser of:

4-54 (1) the gross amount of the regular annuity payment to
4-55 which the eligible annuitant is otherwise entitled for the calendar
4-56 month immediately prior to the calendar month in which the Teacher
4-57 Retirement System of Texas issues the one-time supplemental payment
4-58 in accordance with Subsection (b) of this section; or

4-59 (2) \$500.

4-60 (d) The supplemental payment is payable without regard to
4-61 any forfeiture of benefits under Section 824.601, Government Code.
4-62 The Teacher Retirement System of Texas shall make applicable tax
4-63 withholding and other legally required deductions before
4-64 disbursing the supplemental payment. A supplemental payment under
4-65 this section is in addition to and not in lieu of the regular
4-66 monthly annuity payment to which the eligible annuitant is
4-67 otherwise entitled.

4-68 (e) Subject to Subsection (f) of this section, to be
4-69 eligible for the supplemental payment, a person must be, for the

5-1 calendar month immediately prior to the calendar month in which the
5-2 Teacher Retirement System of Texas issues the one-time supplemental
5-3 payment in accordance with Subsection (b) of this section, and
5-4 disregarding any forfeiture of benefits under Section 824.601,
5-5 Government Code, an annuitant eligible to receive:

- 5-6 (1) a standard retirement annuity payment;
- 5-7 (2) an optional retirement annuity payment as either a
5-8 retiree or beneficiary;
- 5-9 (3) a life annuity payment under Section
5-10 824.402(a)(4), Government Code;
- 5-11 (4) an annuity for a guaranteed period of 60 months
5-12 under Section 824.402(a)(3), Government Code; or
- 5-13 (5) an alternate payee annuity payment under Section
5-14 804.005, Government Code.

5-15 (f) If the annuitant is a retiree or a beneficiary under an
5-16 optional retirement payment plan, to be eligible for the
5-17 supplemental payment, the effective date of the retirement of the
5-18 member of the Teacher Retirement System of Texas must have been on
5-19 or before December 31, 2018. If the annuitant is a beneficiary
5-20 under Section 824.402(a)(3) or (4), Government Code, to be eligible
5-21 for the supplemental payment, the date of death of the member of the
5-22 retirement system must have been on or before December 31, 2018.
5-23 The supplemental payment shall be made to an alternate payee who is
5-24 an annuitant under Section 804.005, Government Code, only if the
5-25 annuity payment to the alternate payee commenced on or before
5-26 December 31, 2018. The supplemental payment is in addition to the
5-27 guaranteed number of payments under Section 824.204(c)(3) or (4),
5-28 Section 824.308(c)(3) or (4), or Section 824.402(a)(3), Government
5-29 Code, and may not be counted as one of the guaranteed monthly
5-30 payments.

5-31 (g) The supplemental payment does not apply to payments
5-32 under:

- 5-33 (1) Section 824.304(a), Government Code, relating to
5-34 disability retirees with less than 10 years of service credit;
- 5-35 (2) Section 824.804(b), Government Code, relating to
5-36 participants in the deferred retirement option plan with regard to
5-37 payments from their deferred retirement option plan accounts;
- 5-38 (3) Section 824.501(a), Government Code, relating to
5-39 retiree survivor beneficiaries who receive a survivor annuity in an
5-40 amount fixed by statute; or
- 5-41 (4) Section 824.404(a), Government Code, relating to
5-42 active member survivor beneficiaries who receive a survivor annuity
5-43 in an amount fixed by statute.

5-44 (h) Subject to the requirements of this section, the board
5-45 of trustees of the Teacher Retirement System of Texas shall
5-46 determine the eligibility for and the amount and timing of a
5-47 supplemental payment and the manner in which the payment is made.

5-48 (i) The state shall appropriate to the Teacher Retirement
5-49 System of Texas an amount equal to the cost of the one-time
5-50 supplemental payment required by this section. This amount is in
5-51 addition to the amount the state is required to contribute to the
5-52 Teacher Retirement System of Texas under Section 825.404,
5-53 Government Code. If the state does not transfer the appropriated
5-54 amount described by this subsection, the Teacher Retirement System
5-55 of Texas shall not issue the one-time supplemental payment required
5-56 by this section.

5-57 SECTION 5. This Act takes effect September 1, 2019.

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