

BILL ANALYSIS

Senate Research Center
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S.B. 7
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Concerns have been raised regarding the amount of annuities received by retirees of the Teacher Retirement System of Texas (TRS). It has been reported that nearly a quarter of a million TRS retirees earn less than roughly \$2,000 per month. Given that the monthly average of annuities among all retirees is just over \$2,000, and the vast majority of retirees do not have social security benefits upon which to rely, there have been calls to provide a one-time supplemental payment to eligible annuitants of TRS. S.B. 7 seeks to address this issue by providing for a one-time supplemental payment to eligible TRS retirees.

As proposed, S.B. 7 amends current law relating to a one-time supplemental payment of benefits under the Teacher Retirement System of Texas.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. (a) Requires the Teacher Retirement System of Texas (TRS), subject to Subsection (i) of this section and Section 821.006 (Action Increasing Amortization Period), Government Code, to make a one-time supplemental payment of a retirement or death benefit, as provided by this section.

(b) Provides that supplemental payment is payable not later than January 2022 and, to the extent practicable, on a date or dates that coincide with the regular annuity payment payable to each eligible annuitant.

(c) Provides that the amount of the supplemental payment is equal to the lesser of the gross amount of the regular annuity payment to which the eligible annuitant is otherwise entitled for the calendar month immediately prior to the calendar month in which TRS issues the one-time supplemental payment in accordance with Subsection (b) of this section or \$2,400.

(d) Provides that the supplemental payment is payable without regard to any forfeiture of benefits under Section 824.601 (Loss of Monthly Benefits), Government Code. Requires TRS to make applicable tax withholding and other legally required deductions before disbursing the supplemental payment. Provides that a supplemental payment under this section is in addition to and not in lieu of the regular monthly annuity payment to which the eligible annuitant is otherwise entitled.

(e) Requires a person, subject to Subsection (f) of this section, to be eligible for the supplemental payment, to be, for the calendar month immediately prior to the calendar month in which TRS issues the one-time supplemental payment in accordance with Subsection (b) of this section, and disregarding any forfeiture of benefits under Section 824.601, Government Code, an annuitant eligible to receive:

(1) a standard retirement annuity payment;

(2) an optional retirement annuity payment as either a retiree or beneficiary;

(3) a life annuity payment under Section 824.402(a)(4) (relating to the eligibility of the designated beneficiary of a member who dies during a school year in which the member has performed service to receive at the beneficiary's election an optional retirement annuity for the designated beneficiary's life in an amount computed as if the member had retired on the last day of the month immediately preceding the month in which the member dies), Government Code;

(4) an annuity for a guaranteed period of 60 months under Section 824.402(a)(3) (relating to the eligibility of the designated beneficiary of a member who dies during a school year in which the member has performed service to receive at the beneficiary's election 60 monthly payments of a standard service retirement annuity), Government Code; or

(5) an alternate payee annuity payment under Section 804.005 (Payment in Certain Circumstances in Lieu of Benefits Awarded by Qualified Domestic Relations Order), Government Code.

(f) Requires the effective date of the retirement of the member of TRS, if the annuitant is a retiree or a beneficiary under an optional retirement payment plan, to be eligible for the supplemental payment, to have been on or before December 31, 2020. Requires the date of death of the member of the retirement system, if the annuitant is a beneficiary under Section 824.402(a)(3) or (4), Government Code, to be eligible for the supplemental payment, to have been on or before December 31, 2020. Requires that the supplemental payment be made to an alternate payee who is an annuitant under Section 804.005, Government Code, only if the annuity payment to the alternate payee commenced on or before December 31, 2020. Provides that the supplemental payment is in addition to the guaranteed number of payments under Section 824.204(c)(3) or (4), Section 824.308(c)(3) or (4), or Section 824.402(a)(3), Government Code, and is prohibited from being counted as one of the guaranteed monthly payments.

(g) Provides that the supplemental payment does not apply to payments under:

(1) Section 824.304(a) (relating to requiring TRS, if a member has a total of less than 10 years of service credit in TRS on the date of disability retirement, to pay the person a disability retirement annuity of \$150 a month for the shortest of certain periods), Government Code, relating to disability retirees with less than 10 years of service credit;

(2) Section 824.804(b) (relating to requiring the board of trustees of TRS by rule to determine the number and frequency of installment payments), Government Code, relating to participants in the deferred retirement option plan with regard to payments from their deferred retirement option plan accounts;

(3) Section 824.501(a) (relating to authorizing the designated beneficiary of a service or disability retiree who dies while receiving a service or disability retirement benefit to elect to receive certain lump-sums), Government Code, relating to retiree survivor beneficiaries who receive a survivor annuity in an amount fixed by statute; or

(4) Section 824.404(a) (relating to authorizing the designated beneficiary of a member who dies, if entitled to a death benefit other than the accumulated contributions of the member, to elect to receive a lump-sum payment of \$2,500 plus an applicable monthly benefit), Government Code, relating to active member survivor beneficiaries who receive a survivor annuity in an amount fixed by statute.

(h) Requires the board of trustees of TRS to determine the eligibility for and the amount and timing of a supplemental payment and the manner in which the payment is made.

(i) Provides that TRS is required to make a one-time supplemental payment of benefits under this section only if the board of trustees of TRS finds that the legislature appropriated money to the retirement system in an amount sufficient to provide the payment. Requires that the amount appropriated by the legislature to provide the payment be in addition to the amount the state is required to contribute to TRS under Section 825.404 (Collection of State Contributions), Government Code. Prohibits TRS, if the board of trustees of TRS finds that the legislature did not appropriate money in an amount sufficient to provide a one-time supplemental payment of benefits under this section, from making the payment.

SECTION 2. Effective date: upon passage or the 91st day after the last day of the legislative session.