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By:  Stephenson H.B. No. 248

A BILL TO BE ENTITLED

AN ACT

relating to a pension revenue enhancement plan for the Teacher Retirement System of Texas.

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

SECTION 1.  Subtitle C, Title 8, Government Code, is amended by adding Chapter 826 to read as follows:

CHAPTER 826. PENSION REVENUE ENHANCEMENT PLAN

Sec. 826.0001.  DEFINITIONS. Notwithstanding any other provision of this subtitle, in this chapter:

(1)  "Beneficiary" or "designated beneficiary" means a person or entity who is designated by a member or annuitant under authority of Section 826.0002(b) to receive the proceeds of a life insurance policy purchased under the plan.

(2)  "Board of trustees," unless the context requires otherwise, means the board appointed under this chapter.

(3)  "Pension revenue enhancement plan" or "plan" means the pension revenue enhancement plan established in accordance with this chapter.

(4)  "Plan manager" means the plan manager the board of trustees enters into a contract with under Section 826.0009.

(5)  "Trust fund" means the pension revenue enhancement plan trust fund established under this chapter.

(6)  "Trustee" means the trustee the board of trustees enters into a contract with under Section 826.0008.

Sec. 826.0002.  PENSION REVENUE ENHANCEMENT PLAN. (a) The pension revenue enhancement plan established in accordance with this chapter provides a life insurance benefit to certain members and annuitants of the retirement system while providing an additional revenue source for funding the retirement system. Under the plan, the trustee shall purchase a life insurance policy that provides for a cash value, the face value of which is $100,000, for each member enrolled in the plan. Except as provided by Subsection (b), the trust fund is the owner and beneficiary of each life insurance policy purchased under the plan.

(b)  A member or annuitant enrolled in the plan may designate a beneficiary to receive $50,000 of the proceeds of the life insurance policy purchased under the plan.

(c)  The trustee or plan manager may obtain a loan from a third-party lender to pay the premium of a life insurance policy purchased under the plan. On the death of a member or annuitant enrolled in the plan, the trustee or plan manager, as applicable, shall repay the third-party lender from the proceeds of the life insurance policy.

(d)  When the cash value of a life insurance policy is sufficient, as determined by the trustee, the trustee may borrow against the policy to:

(1)  repay the loan of a third-party lender; and

(2)  use excess cash flow to purchase life insurance policies for other members enrolled in the plan or for another purpose authorized under the plan.

Sec. 826.0003.  MEMBER ENROLLMENT IN PLAN. (a) A member or annuitant of the retirement system may elect to enroll in the plan if the member or annuitant, as applicable:

(1)  is 62 years of age or younger; and

(2)  meets the insurer's requirements for issuance of a life insurance policy.

(b)  The board of trustees, in cooperation with the public school system, shall ensure that not later than the 30th day after the date a member is hired by a public school system, the member is given an opportunity to elect to enroll in the plan.

(c)  A member or annuitant may not be required to enroll in the plan or to pay the premium or any other fee to enroll in the plan.

Sec. 826.0004.  PENSION REVENUE ENHANCEMENT PLAN TRUST FUND. (a) In this section, "financial institution" has the meaning assigned by Section 201.101, Finance Code.

(b)  The pension revenue enhancement plan trust fund is a trust fund outside the state treasury that is:

(1)  held in a financial institution by the board of trustees on behalf of members and annuitants of the retirement system; and

(2)  administered by the board of trustees through a contract with the trustee and plan manager.

(c)  The trust fund consists of:

(1)  proceeds of a life insurance policy issued to a member or annuitant enrolled in the plan;

(2)  gifts, grants, and other donations received for the trust fund;

(3)  proceeds of loans obtained for purposes of the trust fund; and

(4)  interest earned on trust fund money.

(d)  The plan manager shall allocate money deposited in the trust fund for the purposes specified under this chapter.

(e)  The board of trustees and the trustee shall administer the trust fund in a manner that qualifies income earned in the trust fund for an exemption from federal income taxation under Section 115, Internal Revenue Code of 1986.

Sec. 826.0005.  USES OF TRUST FUND MONEY. The trustee may use trust fund money only to:

(1)  purchase life insurance policies for members and annuitants enrolled in the plan;

(2)  distribute proceeds in accordance with Section 826.0006(1);

(3)  pay the interest, principal, and any fees associated with a loan obtained under the plan;

(4)  pay costs associated with plan administration and operation, including the plan manager's fee in accordance with the contract between the board of trustees and the plan manager; and

(5)  make a contribution to retirement system assets.

Sec. 826.0006.  TRUST FUND DISTRIBUTIONS. On the death of a member or annuitant enrolled in the plan, the trustee shall:

(1)  distribute $50,000 from the proceeds under the life insurance policy to the member's or annuitant's designated beneficiary, if any; and

(2)  retain the remaining proceeds in the trust fund to use in accordance with Section 826.0005.

Sec. 826.0007.  BOARD OF TRUSTEES. (a) The governor shall appoint nine members of the board of trustees after consulting with the State Board of Education, the Texas Department of Insurance, the board of trustees of the retirement system, and any other agency or person the governor determines appropriate.

(b)  All members of the board of trustees must have experience in the field of finance, insurance, pension administration, or an appropriate industry relevant to the purposes for which the trust fund is established.

(c)  Members of the board of trustees serve staggered six-year terms.

(d)  If a vacancy occurs, the governor shall appoint a person to serve for the remainder of the unexpired term.

(e)  The governor shall designate the presiding officer of the board of trustees.

(f)  A member of the board of trustees may not receive compensation for service as a member but is entitled to reimbursement for necessary expenses the member incurs in the discharge of the member's duties.

(g)  The board of trustees shall meet at the call of the presiding officer.

(h)  The retirement system shall provide the board of trustees with any administrative support necessary for the board to exercise its duties under this chapter, including providing office space, equipment, and any technical assistance the board may require.

(i)  The board of trustees has all the authority necessary and proper to carry out the board's duties under this chapter, including the authority to adopt rules necessary to implement this chapter.

Sec. 826.0008.  TRUSTEE. (a) The board of trustees shall contract with a person to act as the trustee of the trust fund. The trustee shall:

(1)  hold and administer the assets of the trust fund;

(2)  distribute life insurance policy proceeds as appropriate;

(3)  annually or at the request of the board of trustees, provide status reports on the performance of the plan to the board;

(4)  as appropriate, enter into a loan agreement with a third-party lender on behalf of the trust fund to finance the premiums of life insurance policies purchased under the plan;

(5)  as appropriate, sign a collateral assignment for a life insurance policy on behalf of the trust fund;

(6)  work with the plan manager to ensure loan and life insurance policy information is correct and complies with the plan;

(7)  as appropriate, provide death benefit information to and request life insurance policy loans from the insurer; and

(8)  on the death of a member or annuitant enrolled in the plan, distribute the proceeds under the life insurance policy to the designated beneficiary in accordance with Section 826.0006(1).

(b)  The trustee has all the authority necessary or proper to carry out the trustee's duties under this section.

Sec. 826.0009.  PLAN MANAGER. The board of trustees shall contract with a person to act as plan manager. The plan manager shall:

(1)  design, implement, and assist with overseeing the pension revenue enhancement plan required under this chapter and ensure compliance with all applicable legal and technical requirements;

(2)  implement the plan and modify the plan as necessary to comply with Section 826.0004(e);

(3)  design or select a life insurance policy appropriate for the plan;

(4)  obtain the approval and support of an insurance company for the plan;

(5)  negotiate with an insurance company to obtain beneficial life insurance policy enhancements for the plan, including low-commission products;

(6)  negotiate with a third-party lender for the most advantageous loan terms;

(7)  facilitate loan renewals as necessary;

(8)  provide the trustee with information needed to complete annual status reports required under Section 826.0008(a)(3);

(9)  by working with the public school system, facilitate member enrollment in the plan;

(10)  work with the public school system to ensure members or annuitants enrolled in the plan have access to the insurance company's claims department;

(11)  oversee member and annuitant compliance with the insurance company's underwriting process to ensure proper enrollment in the plan;

(12)  enroll new members in the plan as appropriate; and

(13)  advise the board of trustees and the trustee on:

(A)  plan maintenance or changes;

(B)  appropriate repayment of loans; and

(C)  obtaining life insurance policy loans.

Sec. 826.0010.  LIFE INSURANCE COMPANY. To be eligible to participate in the pension revenue enhancement plan created under this chapter, an insurance company must have a suitable credit rating.

Sec. 826.0011.  PREMIUM FINANCE COMPANY. (a) To be eligible to participate in the pension revenue enhancement plan created under this chapter, a premium finance company must, as determined by the trustee:

(1)  have at least 10 years of experience in the full recourse life insurance premium finance industry in the United States;

(2)  have suitable support capability to service the plan;

(3)  have at least two life insurance company and bank references;

(4)  have deployed at least one financed insurance solution that complies with principles prescribed by the Governmental Accounting Standards Board; and

(5)  demonstrate suitable testing of the company's designs to withstand an economic crisis.

(b)  A premium finance company participating in the plan may:

(1)  act as technical advisor to the trustee on securing premium financing for life insurance policies;

(2)  assist with educating members and annuitants about the plan in partnership with the retirement system;

(3)  participate in designing the plan;

(4)  analyze the plan design to determine its ability to withstand an economic crisis;

(5)  negotiate life insurance policy terms with an insurance company;

(6)  help select an insurance company and life insurance policy;

(7)  facilitate lending for the trustee;

(8)  facilitate member enrollment;

(9)  facilitate insurance underwriting;

(10)  facilitate policy placement;

(11)  engage in plan servicing and monitoring;

(12)  technically advise on when to cease obtaining loans under the plan;

(13)  assist with preparing annual status reports required under Section 826.0008(a)(3);

(14)  assist with insurance claims processing; and

(15)  act as a liaison to insurance companies and third-party lenders.

Sec. 826.0012.  CONFIDENTIALITY OF RECORDS. (a) Except as provided by Subsection (b), all information relating to the plan is public and subject to disclosure under Chapter 552.

(b)  Information relating to a prospective or current member or annuitant, including any personally identifiable information, is confidential except that the board may disclose that information to:

(1)  the member regarding the member's life insurance policy; or

(2)  an insurance company or a state or federal agency as necessary to administer the plan.

Sec. 826.0013.  PLAN LIMITATIONS. (a) This chapter may not be construed to guarantee that proceeds under a life insurance policy will be sufficient to cover the expenses of a designated beneficiary.

(b)  This chapter may not be construed to create any obligation of the state, any agency or instrumentality of the state, or the plan manager to guarantee for the benefit of a member or annuitant enrolled in the plan or a designated beneficiary:

(1)  the return of any amount contributed to the trust fund on behalf of the enrolled member or annuitant;

(2)  the rate of interest or other return on the life insurance policy; or

(3)  the payment of interest or other return on the life insurance policy.

SECTION 2.  (a) Not later than October 1, 2021, the governor shall appoint members to the board of trustees of the pension revenue enhancement plan as required by Section 826.0007, Government Code, as added by this Act.

(b)  Not later than September 1, 2022, the board of trustees of the pension revenue enhancement plan shall ensure a pension revenue enhancement plan is established in accordance with Chapter 826, Government Code, as added by this Act, and, notwithstanding Section 826.0003, Government Code, as added by this Act, shall ensure enrollment of members of the Teacher Retirement System of Texas in the plan is delayed until the plan has been implemented.

SECTION 3.  This Act takes effect September 1, 2021.