87R20704 KFF-F

By:  Gates, Capriglione, Parker, Stephenson H.B. No. 4534

Substitute the following for H.B. No. 4534:

By:  Anchia C.S.H.B. No. 4534

A BILL TO BE ENTITLED

AN ACT

relating to a study by the Employees Retirement System of Texas of certain state retirement system reforms.

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

SECTION 1.  INTERIM STUDY. (a) The Employees Retirement System of Texas shall conduct a study to evaluate potential reforms designed to improve the financial health of the retirement system, including the feasibility and anticipated financial impact of implementing the following reforms:

(1)  transitioning from providing retirement benefits to members of the system under a defined benefit plan to providing those benefits under:

(A)  a defined contribution plan;

(B)  a hybrid pension plan that combines elements of a defined contribution plan and a defined benefit plan;

(C)  a cash balance pension plan that provides individual accounts for plan members; and

(D)  another retirement plan commonly used by other states;

(2)  adopting changes to the existing defined benefit plan that are designed to reduce the unfunded actuarial accrued liabilities of the system and achieve actuarial soundness, including:

(A)  increasing the state contribution rate;

(B)  changing the minimum age at which members are eligible to retire;

(C)  changing the formula used to calculate annuities provided under the plan; and

(D)  reducing the amount of benefits provided under the plan, including the potential of offering members the option to receive partial lump sum payments in lieu of a portion of the member's annuity in a manner that ensures the amount of the lump sum payment is less than the actuarial present value of the portion of the annuity forfeited by the member; and

(3)  implementing a pension revenue enhancement plan under which a life insurance policy or other financial product or benefit is purchased under the plan for members and annuitants of the Employees Retirement System of Texas who are eligible for and elect to enroll in the plan.

(b)  In conducting the study required by this section, the Employees Retirement System of Texas shall review and evaluate the retirement plans and systems established in other states for best practices and financial outcomes, taking into consideration:

(1)  the overall performance of other states' plans based on the unfunded liability balances, if any, of those plans; and

(2)  the strengths and weaknesses of other states' plans in attracting and maintaining a competitive workforce.

(c)  The Employees Retirement System of Texas may consult with anyone the system determines appropriate to conduct the study and prepare the report required by this section, including outside experts and other state agencies, including the State Pension Review Board, the Legislative Budget Board, and the Texas Department of Insurance.

SECTION 2.  FINDINGS AND RECOMMENDATIONS. Not later than September 1, 2022, the Employees Retirement System of Texas shall report the system's findings and recommendations to the governor, the lieutenant governor, the speaker of the house of representatives, and each member of the legislature. The system shall include in its recommendations specific statutory and regulatory changes that the system determines necessary or appropriate to implement its recommendations.

SECTION 3.  EXPIRATION OF ACT. This Act expires September 15, 2022.

SECTION 4.  EFFECTIVE DATE. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2021.