

BILL ANALYSIS

C.S.H.B. 1393

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Pensions, Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Concerns have been raised by some Employees Retirement System of Texas (ERS) retirees that all of the currently available annuity options are fixed payments. Some retirees would benefit from having the option to select an annuity that increases each year. C.S.H.B. 1393 seeks to give certain eligible ERS members the option to select an annuity that is reduced at the beginning of their retirement but gradually increases over time.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the board of trustees of the Employees Retirement System of Texas in SECTION 1 of this bill.

ANALYSIS

C.S.H.B. 1393 amends the Government Code to give a member of the Employees Retirement System of Texas (ERS) who is retiring on or after January 1, 2024, and who is eligible for a service retirement annuity that is not reduced because of age the option to select a standard retirement annuity or an optional service retirement annuity together with the option for an increasing annuity, as described by the bill.

C.S.H.B. 1393 requires ERS to provide the increasing annuity option by reducing the member's annuity for an appropriate implementation period beginning immediately after the member's retirement and annually increasing the annuity amount by two percent or by another percentage rate, as determined by ERS, for each year during the applicable implementation period. The bill authorizes ERS to offer other increasing annuity options similar to the option provided by the bill, including options providing a different percentage rate of increase or a different implementation period. The increasing annuity option may be elected only once by a member and may not be elected by a retiree. The bill establishes that a member retiring under the proportionate retirement program is not eligible for the option.

C.S.H.B. 1393 requires the annuity of a member who elects to receive an increasing annuity option to be calculated to reflect the option selected and be actuarially equivalent to a standard or optional service retirement annuity, as applicable, to which the member would have been entitled had the member not elected to receive the option. The annuity must be computed to result in no actuarial loss to ERS. Before a retiring member selects an increasing annuity option, ERS must provide a written notice to the member of the amount by which the member's annuity will be reduced and the implementation period applicable because of that selection. The bill requires ERS to maintain a copy of the notice that is signed by the member.

C.S.H.B. 1393 authorizes the ERS board of trustees to adopt rules for the implementation of the bill's provisions. The bill's provisions expressly do not apply to a disability retirement annuity or an annuity based on service credited in the elected class.

EFFECTIVE DATE

September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 1393 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

Whereas the introduced provided for a cost-of-living adjustment option for certain eligible members, the substitute provides for an increasing annuity option. The introduced and the substitute differ in the prescribed manner for implementation of the new option as follows:

- the introduced required ERS to reduce benefits for an appropriate period beginning immediately after the member's retirement and periodically increasing the amount of benefits, as determined by ERS, during the period the member or designated beneficiary is entitled to service retirement benefits; and
- the substitute requires ERS to reduce the member's annuity for an appropriate implementation period beginning immediately after the member's retirement and annually increasing the amount of the annuity by two percent or by another percentage rate, as determined by ERS, for each year during the applicable implementation period.

The substitute includes a provision that was not in the introduced authorizing ERS to offer other increasing annuity options similar to the option provided by the bill.

The substitute makes certain clarifications to the introduced version's requirements regarding the calculation of an annuity for a member that selects the option provided by the bill.

The substitute includes a provision that was not in the introduced excluding an annuity based on service credited in the elected class from the bill's applicability.

Whereas the introduced applied only to a member's retirement that occurs on or after January 1, 2022, the substitute applies only to a member's retirement that occurs on or after January 1, 2024.