

BILL ANALYSIS

Senate Research Center

H.J.R. 2
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Finance
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

It has been many years since the last cost-of-living adjustment for retired teachers, which has resulted in a substantial decline in purchasing power. H.J.R. 2 proposes a constitutional amendment to make an appropriation of \$3.45 billion to the Teacher Retirement System of Texas (TRS) for the cost of the benefit enhancements provided in this resolution's enabling legislation, H.B. 600. This amount also provides a one-time state contribution to the pension fund to reduce the amount needed in the legacy payments required to fully fund TRS and legacy payments for each year of the upcoming biennium. This constitutional amendment ensures that future TRS benefit enhancements are paid for by state revenues and not out of the pension fund, so that the fund can remain solvent and actuarially sound.

H.J.R. 2 proposes a constitutional amendment limiting the contribution rate of the members of the Teacher Retirement System of Texas, authorizing the legislature to provide cost-of-living adjustments or other benefit enhancements to eligible annuitants of the system, and providing a one-time transfer of funds for benefit enhancements and for contributions and actuarially determined payments to eliminate the unfunded actuarial liabilities of the system.

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. Amends Section 67(b)(3), Article XVI, Texas Constitution, as follows:

(3) Requires that the amount contributed by a person participating in the Employees Retirement System of Texas or the Teacher Retirement System of Texas (TRS) be established by the legislature but prohibits the amount from being less than six percent of current compensation nor for a person participating in TRS more than nine percent of current compensation.

SECTION 2. Amends Article XVI, Texas Constitution, by adding Section 67-a, as follows:

Sec. 67-a. (a) Authorizes the legislature by general law, only as authorized by this section, to provide one or more cost-of-living adjustments or supplemental payments as benefit enhancements to annuitants of TRS who are eligible for the enhancements, as determined by that law.

(b) Authorizes the legislature to provide a benefit enhancement as described by this section and, as necessary, direct the Comptroller of Public Accounts of the State of Texas (comptroller) to transfer funds to TRS for the payment of the benefit enhancement only if:

(1) TRS is actuarially sound, as determined by general law; and

(2) except as provided by Subsection (c) of this section and subject to Subsection (d) of this section, the legislature appropriates money in an

amount sufficient to fully pay for the benefit enhancement, as determined by the board of trustees of TRS (board).

(c) Provides that Subsection (b)(2) of this section does not apply to a continuing cost-of-living adjustment that is:

(1) authorized by general law; and

(2) payable only:

(A) if the return on the investment of the assets of TRS meets or exceeds a minimum threshold prescribed by general law; and

(B) out of the return.

(d) Requires the board, in determining the amount that is sufficient to fully pay for the benefit enhancement under Subsection (b)(2) of this section, to reduce that amount by the amount by which the actuarial value of the system's assets exceeds the actuarial accrued liability of the system.

SECTION 3. Provides that the following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) Provides that this temporary provision applies to the constitutional amendment proposed by the 88th Legislature, Regular Session, 2023, authorizing the legislature to provide cost-of-living adjustments or other benefit enhancements to eligible annuitants of TRS and providing a one-time transfer of funds for contributions, actuarially determined payments, and benefit enhancements.

(b) Requires the comptroller, as soon as practicable after the effective date of the amendment to which this temporary provision applies, to transfer \$1.9 billion from the general revenue fund to the trust fund of TRS. Authorizes money transferred to the trust fund under this temporary provision to be spent by TRS only for the purposes of providing contributions, actuarially determined payments, and benefit enhancements to TRS' annuitants, as provided by general law. Provides that the transfer made under this temporary provision is not an appropriation of state tax revenues for the purposes of Section 22 (Restriction on Rate of Growth of Appropriations), Article VIII (Taxation and Revenue), of this constitution.

(c) Provides that this temporary provision expires January 1, 2056.

SECTION 4. Requires that the proposed constitutional amendment be submitted to the voters at an election to be held November 7, 2023. Sets forth the required language of the ballot.