

## **BILL ANALYSIS**

Senate Research Center

S.B. 10  
By: Huffman et al.  
Finance  
3/14/2023  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The Teacher Retirement System of Texas (TRS) provides retirement benefits to nearly 476,000 people. Currently, the amortization period for the TRS pension fund is approximately 28 years and the unfunded liability is nearly \$54.4 billion.

S.B. 10 would provide a one-time additional payment to eligible TRS retirees who are at least 75 years old. Additionally, it would provide for a cost-of-living adjustment to eligible retirees who retired prior to December 31, 2021.

As proposed, S.B. 10 amends current law relating to benefits paid by 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. Amends Subchapter H, Chapter 824, Government Code, by adding Section 824.704, as follows:

Sec. 824.704. COST-OF-LIVING ADJUSTMENT. (a) Requires the Teacher Retirement System of Texas (TRS) to make a one-time cost-of-living adjustment payable to annuitants receiving a monthly death or retirement benefit annuity, as provided by this section.

(b) Requires a person, subject to Subsections (c) and (d), to be eligible for the adjustment, to be, on the effective date of the adjustment and disregarding any forfeiture of benefits under Section 824.601 (Loss of Monthly Benefits), an annuitant eligible to receive:

- (1) a standard service or disability retirement annuity payment;
- (2) an optional service or disability retirement annuity payment as either a retiree or beneficiary;
- (3) an annuity payment under Section 824.402(a)(3) (relating to providing that the designated beneficiary of a member who dies during a school year in which the member has performed service is eligible to receive at the beneficiary's election 60 monthly payments of a standard service retirement annuity) or (4) (relating to providing that the designated beneficiary of a member who dies during a school year in which the member has performed service is eligible to receive at the beneficiary's election an optional retirement annuity for the designated beneficiary's life);

(4) an annuity payment under Section 824.502 (Benefits on Death of Disability Retiree); 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).

(c) Provides that if the annuitant:

(1) is a retiree, or is a beneficiary under an optional retirement payment plan, to be eligible for the adjustment under this section:

(A) the annuitant is required to be living on the effective date of the adjustment; and

(B) the effective date of the retirement of the member of TRS is required to have been on or before December 31, 2021;

(2) is a beneficiary under Section 824.402(a)(3) or (4) or 824.502, to be eligible for the adjustment:

(A) the annuitant is required to be living on the effective date of the adjustment; and

(B) the date of death of the member of TRS is required to have been on or before December 31, 2021; or

(3) is an alternate payee under Section 804.005, the annuitant is eligible for the adjustment only if the effective date of the election to receive the annuity payment was on or before December 31, 2021.

(d) Provides that an adjustment made under this section does not apply to payments under:

(1) Section 824.203(d), relating to retirees who receive a standard service retirement annuity in an amount fixed by statute;

(2) Section 824.304(a), relating to disability retirees with less than 10 years of service credit;

(3) Section 824.304(b)(2), relating to disability retirees who receive a disability annuity in an amount fixed by statute;

(4) Section 824.404(a), relating to active member survivor beneficiaries who receive a survivor annuity in an amount fixed by statute;

(5) Section 824.501(a), relating to retiree survivor beneficiaries who receive a survivor annuity in an amount fixed by statute; or

(6) Section 824.804(b), relating to participants in the deferred retirement option plan with regard to payments from their deferred retirement option plan accounts.

(e) Requires that an adjustment under this section be made beginning with an annuity payable for the month of September 2023.

(f) Provides that the amount of the adjustment provided under this section is calculated by multiplying the amount of the first monthly benefit subject to the adjustment by a percentage determined as follows:

(1) for annuitants described by Subsection (c)(1):

(A) if the retiree's effective date of retirement was before September 1, 2013, an adjustment of four percent; and

(B) if the retiree's effective date of retirement was on or after September 1, 2013, but before January 1, 2022, an adjustment of two percent;

(2) for annuitants described by Subsection (c)(2):

(A) if the member's date of death was before September 1, 2013, an adjustment of four percent; and

(B) if the member's date of death was on or after September 1, 2013, but before January 1, 2022, an adjustment of two percent; and

(3) for annuitants described by Subsection (c)(3):

(A) if the annuitant's date of election was before September 1, 2013, an adjustment of four percent; and

(B) if the annuitant's date of election was on or after September 1, 2013, but before January 1, 2022, an adjustment of two percent.

(g) Requires the board of trustees of TRS (board) to determine the eligibility for and the amount of any adjustment in monthly annuities in accordance with this section.

SECTION 2. (a) Requires 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 a supplemental payment is payable not later than February 2024 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 \$7,500.

(d) Provides that the supplemental payment is payable without regard to any forfeiture of benefits under Section 824.601, 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 that, subject to Subsection (f) of this section, for a person to be eligible for the supplemental payment, the person is required 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 who is at least 75 years of age and 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), Government Code;

(4) an annuity for a guaranteed period of 60 months under Section 824.402(a)(3), Government Code; or

(5) an alternate payee annuity payment under Section 804.005, Government Code.

(f) Provides that the supplemental payment is in addition to the guaranteed number of payments under Section 824.204(c)(3) (relating to authorizing an eligible member to select that, if the retiree dies before 60 monthly annuity payments have been made, the remainder of the 60 payments are payable to the designated beneficiary) or (4) (relating to authorizing an eligible member, if the retiree dies before 120 monthly annuity payments have been made, to select that the remainder of the 120 payments are payable to the designated beneficiary), Section 824.308(c)(3) (relating to authorizing an eligible member, if the disability retiree dies before 60 monthly annuity payments have been made, to select that the remainder of the 60 payments are payable to the designated beneficiary) or (4) (relating to authorizing an eligible member, if the disability retiree dies before 120 monthly annuity payments have been made, to select that the remainder of the 120 payments are payable to the designated beneficiary), 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), Government Code;

(2) Section 824.804(b), Government Code;

(3) Section 824.501(a), Government Code; or

(4) Section 824.404(a), Government Code.

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

(i) Requires TRS to make a one-time supplemental payment of benefits under this section only if the board finds that the legislature appropriated money to TRS 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 finds that TRS did not receive the full amount appropriated by the legislature to provide a one-time supplemental payment of benefits under this section, from making the payment.

(j) Requires the Comptroller of Public Accounts of the State of Texas, if the board determines that the appropriation provided by the legislature for the one-time supplemental payment of benefits is different from the amount required to issue the one-time supplemental payment of benefits under this section, after the end of the fiscal year, to make adjustments in the teacher retirement fund and the general revenue fund so that the total transfers during the year equal the total amount of the funds required for the one-time supplemental payment of benefits. Provides that this transfer of funds is in addition to and separate from the amount the state is required to contribute to TRS under Section 825.404, Government Code.

SECTION 3. Effective date: upon passage or September 1, 2023.