88R10191 BDP-D

By:  Goodwin H.B. No. 3636

A BILL TO BE ENTITLED

AN ACT

relating to a cost-of-living adjustment applicable to certain benefits paid by the Teacher Retirement System of Texas and a study on the feasibility of providing annual adjustments and an optional cash balance benefit under the system.

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

SECTION 1.  Subchapter H, Chapter 824, Government Code, is amended by adding Section 824.703 to read as follows:

Sec. 824.703.  ADDITIONAL COST-OF-LIVING ADJUSTMENT. (a)  Notwithstanding Section 824.702 and subject to Section 821.006, the retirement system shall 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)  Subject to Subsections (c) and (d), to be eligible for the adjustment, a person must be, on the effective date of the adjustment and disregarding any forfeiture of benefits under Section 824.601, 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) or (4);

(4)  an annuity payment under Section 824.502; or

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

(c)  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 must be living on the effective date of the adjustment; and

(B)  the effective date of the retirement of the member of the retirement system must have been on or before August 31, 2020;

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

(A)  the annuitant must be living on the effective date of the adjustment; and

(B)  the date of death of the member of the retirement system must have been on or before August 31, 2020; 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 August 31, 2020.

(d)  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)  An adjustment under this section:

(1)  must be made beginning with an annuity payable for the month of September 2023; and

(2)  is limited to an amount equal to six percent of the monthly benefit subject to the increase.

(f)  The board of trustees shall determine the eligibility for and the amount of any adjustment in monthly annuities in accordance with this section.

SECTION 2.  (a) In this section, "retirement system" means Teacher Retirement System of Texas.

(b)  The State Pension Review Board shall conduct a study on the feasibility of the retirement system:

(1)  providing an annual cost-of-living adjustment to annuitants receiving a monthly death or retirement benefit annuity under Chapter 824, Government Code; and

(2)  offering members of the retirement system a choice of continuing to receive benefits under the existing defined benefit plan under an analysis that assumes a rate of return of six percent or a cash balance benefit plan under an analysis that assumes adoption of a cash balance benefit plan that is similar in design and cost structure to the cash balance benefit plan established under Chapter 820, Government Code, except that the State Pension Review Board should evaluate the difference between offering a cash balance benefit plan that provides a retirement eligibility age of 62 and a plan that provides a retirement eligibility age of 67.

(c)  In conducting the study, the State Pension Review Board shall:

(1)  assume the annual state contribution rate will increase over specific periods of time, including periods of 4 years, 8 years, 12 years, and 16 years, in an amount sufficient to pre-fund the amount necessary to provide the annual cost-of-living adjustments;

(2)  assume the annual cost-of-living adjustment will be the lesser of:

(A)  a percentage rate equal to the percentage increase, if any, during the preceding state fiscal year in the Consumer Price Index that is used by the comptroller of public accounts; or

(B)  three percent;

(3)  determine the additional state and employee contribution rates necessary to provide:

(A)  an annual cost-of-living adjustment for retirees, including retirees who have resumed employment with a Texas public educational institution, as described by Section 824.601(c), Government Code;

(B)  an opt-in cost-of-living adjustment for retirees, including retirees who have resumed employment with a Texas public educational institution, as described by Section 824.601(c), Government Code;

(C)  a transitional system developed by the retirement system under which:

(i)  current and future annuitants of the retirement system automatically receive cost-of-living adjustments that have been pre-funded by the state; and

(ii)  current members or annuitants of the retirement system can opt in to or opt out of the transitional system with the understanding that opting out allows the member or annuitant to remain under the current system with no guaranteed cost-of-living adjustments; and

(D)  any other alternative benefit adjustment that the retirement system determines is feasible to provide the best retirement benefits to annuitants;

(4)  when calculating the state contribution rates under this subsection, show what the cost would be over the periods of time specified in Subdivision (1) using varying assumed rates of return, including 5.5, 6, 6.5, and 7 percent;

(5)  when calculating contribution rate increases, show how much the employer and member contributions would need to increase if the state contribution rate is limited to 10 percent;

(6)  explore various cost-sharing options, including at least one option that does not require members of the retirement system to contribute any additional contributions necessary to pre-fund amounts needed to provide annual cost-of-living adjustments; and

(7)  solicit input and feedback from the public and other interested persons.

(d)  Not later than December 31, 2024, the State Pension Review Board shall submit to the legislature a written report on the results of the study and any recommendations for legislative action.

(e)  This section expires January 1, 2025.

SECTION 3.  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, 2023.