88R19531 JCG-F

By:  Huffman, et al. S.B. No. 10

(Bonnen, Burns, Capriglione, et al.)

Substitute the following for S.B. No. 10:

By:  Capriglione C.S.S.B. No. 10

A BILL TO BE ENTITLED

AN ACT

relating to contributions to, benefits from, and the administration of systems and programs administered by the Teacher Retirement System of Texas.

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

SECTION 1.  Subchapter A, Chapter 821, Government Code, is amended by adding Section 821.0065 to read as follows:

Sec. 821.0065.  ACTUARIAL SOUNDNESS FOR BENEFIT ENHANCEMENTS. For purposes of Section 67-a, Article XVI, Texas Constitution, the retirement system is actuarially sound if, based on the most recent actuarial valuation of the system, the amount of contributions and actuarially determined payments to the system are sufficient to cover the normal cost of the system and to amortize the unfunded actuarial accrued liability of the system within 30 years.

SECTION 2.  Subchapter H, Chapter 824, Government Code, is amended by adding Sections 824.703 and 824.704 to read as follows:

Sec. 824.703.  GAIN SHARING COST-OF-LIVING ADJUSTMENT. (a) For each fiscal year that begins on or after September 1, 2028, the retirement system shall make a cost-of-living adjustment payable to eligible annuitants receiving a retirement or death benefit annuity payment only if the retirement system's average rate of return on the investment of the system's assets during the preceding five fiscal years, expressed as a percentage rate, is equal to or exceeds seven percent.

(b)  Subject to Subsection (c), the amount of the cost-of-living adjustment provided by Subsection (a) is an amount equal to the annuitant's monthly annuity payment for the month the adjustment is effective multiplied by a percentage rate that is computed by:

(1)  determining the average rate of return on the investment of the system's assets during the preceding five fiscal years, expressed as a percentage rate;

(2)  subtracting five percentage points from the percentage rate determined under Subdivision (1);

(3)  multiplying the resulting difference under Subdivision (2) by 50 percent; and

(4)  rounding down to the nearest one-tenth of a percent.

(c)  The amount of the cost-of-living adjustment provided by Subsection (a) may not exceed two percent of an annuitant's monthly annuity payment.

(d)  Except as provided by Subsection (f), a person is eligible to receive a cost-of-living adjustment under this section if the person is, on the effective date of the adjustment and disregarding any forfeiture of benefits under Section 824.601, an annuitant that:

(1)  is eligible to receive:

(A)  a standard service or disability retirement annuity payment;

(B)  an optional service or disability retirement annuity payment as either a retiree or beneficiary;

(C)  an annuity payment under Section 824.402(a)(3) or (4);

(D)  an annuity payment under Section 824.502; or

(E)  an alternate payee annuity payment under Section 804.005;

(2)  became eligible to receive the annuity payment described by Subdivision (1) at least three years before the first day of the fiscal year in which the adjustment is made; and

(3)  is living on the effective date of the adjustment.

(e)  Notwithstanding Subsection (d)(2), a beneficiary eligible to receive an optional service or disability retirement annuity payment on the effective date of a cost-of-living adjustment under this section is eligible to receive the adjustment if:

(1)  the beneficiary meets the requirements of Subsections (d)(1) and (d)(3); and

(2)  either the beneficiary or the retiree who selected the optional service or disability retirement annuity payment became eligible to receive the annuity payment at least three years before the first day of the fiscal year in which the adjustment is made.

(f)  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.

Sec. 824.704.  COST-OF-LIVING ADJUSTMENT: JANUARY 2024. (a) The retirement system shall make an additional 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 Subsection (c) and except as provided by Subsection (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 service or disability 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 on whose service the annuity is based must have been on or before December 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 on whose service the annuity is based must have been on or before December 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 December 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 must be made beginning with an annuity payable for the month of January 2024.

(f)  The amount of the adjustment provided under this section is calculated by multiplying the amount of the monthly benefit subject to the adjustment by the following percentage rate, as applicable:

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

(A)  if the retiree's effective date of retirement was before January 1, 2004, six percent;

(B)  if the retiree's effective date of retirement was on or after January 1, 2004, but before January 1, 2014, four percent; and

(C)  if the retiree's effective date of retirement was on or after January 1, 2014, but before January 1, 2021, two percent;

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

(A)  if the member's date of death was before January 1, 2004, six percent;

(B)  if the member's date of death was on or after January 1, 2004, but before January 1, 2014, four percent; and

(C)  if the member's date of death was on or after January 1, 2014, but before January 1, 2021, two percent; and

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

(A)  if the annuitant's date of election was before January 1, 2004, six percent;

(B)  if the annuitant's date of election was on or after January 1, 2004, but before January 1, 2014, four percent; and

(C)  if the annuitant's date of election was on or after January 1, 2014, but before January 1, 2021, two percent.

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

SECTION 3.  Section 825.402, Government Code, is amended to read as follows:

Sec. 825.402.  RATE OF MEMBER CONTRIBUTIONS. The rate of contributions for each member of the retirement system is:

(1)  five percent of the member's annual compensation or $180, whichever is less, for service rendered after August 31, 1937, and before September 1, 1957;

(2)  six percent of the first $8,400 of the member's annual compensation for service rendered after August 31, 1957, and before September 1, 1969;

(3)  six percent of the member's annual compensation for service rendered after August 31, 1969, and before the first day of the 1977-78 school year;

(4)  6.65 percent of the member's annual compensation for service rendered after the last day of the period described by Subdivision (3) and before September 1, 1985;

(5)  6.4 percent of the member's annual compensation for service rendered after August 31, 1985, and before September 1, 2014;

(6)  6.7 percent of the member's annual compensation for service rendered after August 31, 2014, and before September 1, 2015;

(7)  7.2 percent of the member's annual compensation for service rendered after August 31, 2015, and before September 1, 2016;

(8)  7.7 percent of the member's annual compensation for service rendered after August 31, 2016, and before September 1, 2017;

(9)  for compensation paid on or after September 1, 2017, and before September 1, 2019, the lesser of:

(A)  7.7 percent of the member's annual compensation; or

(B)  a percentage of the member's annual compensation equal to 7.7 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the compensation relates is less than the state contribution rate established for the 2015 fiscal year;

(10)  for compensation paid on or after September 1, 2019, and before September 1, 2021, the lesser of:

(A)  7.7 percent of the member's annual compensation; or

(B)  a percentage of the member's annual compensation equal to 7.7 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the compensation relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2);

(11)  for compensation paid on or after September 1, 2021, and before January [~~September~~] 1, 2024 [~~2023~~], the lesser of:

(A)  eight percent of the member's annual compensation; or

(B)  a percentage of the member's annual compensation equal to eight percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the compensation relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2); and

(12)  for compensation paid on or after January [~~September~~] 1, 2024 [~~2023~~], the lesser of:

(A)  nine [~~8.25~~] percent of the member's annual compensation; or

(B)  a percentage of the member's annual compensation equal to nine [~~8.25~~] percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the compensation relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2).

SECTION 4.  Section 825.404(a-2), Government Code, is amended to read as follows:

(a-2)  The state contribution required by Subsection (a) is:

(1)  for the fiscal years beginning on September 1, 2019, and September 1, 2020, 7.5 percent of the aggregate annual compensation of all members of the retirement system during the applicable fiscal year;

(2)  for the fiscal year beginning on September 1, 2021, 7.75 percent of the aggregate annual compensation of all members of the retirement system during that fiscal year;

(3)  for the fiscal year beginning on September 1, 2022, eight percent of the aggregate annual compensation of all members of the retirement system during that fiscal year; and

(4)  for the fiscal year beginning on September 1, 2023, and each subsequent fiscal year, nine [~~8.25~~] percent of the aggregate annual compensation of all members of the retirement system during that fiscal year.

SECTION 5.  Subchapter E, Chapter 825, Government Code, is amended by adding Section 825.4042 to read as follows:

Sec. 825.4042.  ACTUARIALLY DETERMINED PAYMENTS. (a) In addition to the state contributions required by this subtitle, each fiscal year the state shall make an actuarially determined payment in the amount necessary to amortize the system's unfunded actuarial liabilities by not later than the fiscal year ending August 31, 2054.

(b)  Before each regular legislative session, the retirement system shall provide the Legislative Budget Board with the amount necessary to make the actuarially determined payment required under Subsection (a). The director of the Legislative Budget Board, under the direction of the Legislative Budget Board, shall include that payment in the general appropriations bill prepared for introduction at each regular legislative session under Section 322.008. This section expires September 1, 2055.

SECTION 6.  (a) Subject to Subsections (e) and (i) of this section and Section 821.006, Government Code, and except as provided by Subsection (g) of this section, the Teacher Retirement System of Texas shall make a one-time supplemental payment of a retirement or death benefit, as provided by this section.

(b)  The 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)  The amount of the supplemental payment is equal to $5,000.

(d)  The supplemental payment is payable without regard to any forfeiture of benefits under Section 824.601, Government Code. The Teacher Retirement System of Texas shall make applicable tax withholding and other legally required deductions before disbursing the supplemental payment. 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)  To be eligible for the supplemental payment, a person must be, for the calendar month immediately prior to the calendar month in which the Teacher Retirement System of Texas issues the one-time supplemental payment in accordance with Subsection (b) of this section, an annuitant who is:

(1)  at least 70 years of age; and

(2)  eligible to receive:

(A)  a standard retirement annuity payment;

(B)  an optional retirement annuity payment as either a retiree or beneficiary;

(C)  a life annuity payment under Section 824.402(a)(4), Government Code;

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

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

(f)  The supplemental payment is in addition to the guaranteed number of payments under Section 824.204(c)(3) or (4), Section 824.308(c)(3) or (4), or Section 824.402(a)(3), Government Code, and may not be counted as one of the guaranteed monthly payments.

(g)  The supplemental payment does not apply to payments under:

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

(2)  Section 824.804(b), Government Code, relating to participants in the deferred retirement option plan with regard to payments from their deferred retirement option plan accounts;

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

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

(h)  The board of trustees of the Teacher Retirement System of Texas shall determine the eligibility for and the amount and timing of a supplemental payment and the manner in which the payment is made.

(i)  The Teacher Retirement System of Texas is required to make a one-time supplemental payment of benefits under this section only if the board of trustees of the Teacher Retirement System of Texas finds that the legislature appropriated money to the retirement system in an amount sufficient to provide the supplemental payment. The amount appropriated by the legislature to provide the supplemental payment must be in addition to the amount the state is required to contribute to the retirement system under Section 825.404, Government Code, as amended by this Act.

(j)  If the board of trustees of the Teacher Retirement System of Texas determines that the appropriation provided by the legislature for the one-time supplemental payment of benefits under this section is different from the amount required to issue the supplemental payment, the comptroller, after the end of the fiscal year, shall 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 supplemental payment. This transfer of funds is in addition to and separate from the amount the state is required to contribute to the retirement system under Section 825.404, Government Code, as amended by this Act.

SECTION 7.  This Act takes effect January 1, 2024, but only if 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 the Teacher Retirement System of Texas and providing a one-time transfer of funds for contributions, actuarially determined payments, and benefit enhancements is approved by the voters. If that proposed constitutional amendment is not approved by the voters, this Act has no effect.