

By: Goodwin

H.B. No. 3636

A BILL TO BE ENTITLED

1 AN ACT

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

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

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

9 Sec. 824.703. ADDITIONAL COST-OF-LIVING ADJUSTMENT.

10 (a) Notwithstanding Section 824.702 and subject to Section
11 821.006, the retirement system shall make a one-time cost-of-living
12 adjustment payable to annuitants receiving a monthly death or
13 retirement benefit annuity, as provided by this section.

14 (b) Subject to Subsections (c) and (d), to be eligible for
15 the adjustment, a person must be, on the effective date of the
16 adjustment and disregarding any forfeiture of benefits under
17 Section 824.601, an annuitant eligible to receive:

18 (1) a standard service or disability retirement
19 annuity payment;

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

22 (3) an annuity payment under Section 824.402(a)(3) or
23 (4);

24 (4) an annuity payment under Section 824.502; or

1 (5) an alternate payee annuity payment under Section
2 804.005.

3 (c) If the annuitant:

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

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

9 (B) the effective date of the retirement of the
10 member of the retirement system must have been on or before August
11 31, 2020;

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

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

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

18 (3) is an alternate payee under Section 804.005, the
19 annuitant is eligible for the adjustment only if the effective date
20 of the election to receive the annuity payment was on or before
21 August 31, 2020.

22 (d) An adjustment made under this section does not apply to
23 payments under:

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

27 (2) Section 824.304(a), relating to disability

1 retirees with less than 10 years of service credit;

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

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

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

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

14 (e) An adjustment under this section:

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

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

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

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

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

26 (1) providing an annual cost-of-living adjustment to
27 annuitants receiving a monthly death or retirement benefit annuity

1 under Chapter 824, Government Code; and

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

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

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

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

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

26 (B) three percent;

27 (3) determine the additional state and employee

1 contribution rates necessary to provide:

2 (A) an annual cost-of-living adjustment for
3 retirees, including retirees who have resumed employment with a
4 Texas public educational institution, as described by Section
5 824.601(c), Government Code;

6 (B) an opt-in cost-of-living adjustment for
7 retirees, including retirees who have resumed employment with a
8 Texas public educational institution, as described by Section
9 824.601(c), Government Code;

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

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

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

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

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

27 (5) when calculating contribution rate increases,

1 show how much the employer and member contributions would need to
2 increase if the state contribution rate is limited to 10 percent;

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

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

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

14 (e) This section expires January 1, 2025.

15 SECTION 3. This Act takes effect immediately if it receives
16 a vote of two-thirds of all the members elected to each house, as
17 provided by Section 39, Article III, Texas Constitution. If this
18 Act does not receive the vote necessary for immediate effect, this
19 Act takes effect September 1, 2023.