

SENATE AMENDMENTS

2nd Printing

By: Frank, Capriglione

H.B. No. 1393

A BILL TO BE ENTITLED

AN ACT

relating to an optional service retirement annuity that provides an increasing annuity under the Employees Retirement System of Texas.

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

SECTION 1. Subchapter B, Chapter 814, Government Code, is amended by adding Section 814.110 to read as follows:

Sec. 814.110. INCREASING ANNUITY OPTION. (a) A member who is eligible for a service retirement annuity not reduced because of age may select a standard retirement annuity or an optional service retirement annuity described by Section 814.108 together with the option for an increasing annuity as described by this section.

(b) The retirement system shall provide the increasing annuity option by reducing the member's annuity for an appropriate implementation period beginning immediately after the member's retirement and annually increasing the amount of the annuity by two percent or by another percentage rate, as determined by the system under Subsection (c), for each year during the applicable implementation period.

(c) The retirement system may offer other increasing annuity options similar to the option described by Subsection (b), including increasing annuity options providing a different percentage rate of increase or a different implementation period.

(d) If a member elects to receive an increasing annuity option under this section, the member's annuity must be calculated

1 to reflect the option selected and be actuarially equivalent to a
2 standard or optional service retirement annuity, as applicable,
3 that the member would have been entitled to had the member not
4 elected to receive the option. The annuity must be computed to
5 result in no actuarial loss to the retirement system.

6 (e) The increasing annuity option under this section may be
7 elected only once by a member and may not be elected by a retiree. A
8 member retiring under the proportionate retirement program under
9 Chapter 803 is not eligible for the option.

10 (f) This section does not apply to:

11 (1) a disability retirement annuity; or
12 (2) an annuity based on service credited in the
13 elected class.

14 (g) Before a retiring member selects an increasing annuity
15 option under this section, the retirement system must provide a
16 written notice to the member of the amount by which the member's
17 annuity will be reduced and the implementation period applicable
18 because of that selection. The retirement system shall maintain a
19 copy of the notice required under this subsection that is signed by
20 the member.

21 (h) The board of trustees may adopt rules for the
22 implementation of this section.

23 SECTION 2. Section 814.110, Government Code, as added by
24 this Act, applies only to a retirement that occurs on or after
25 January 1, 2024.

26 SECTION 3. This Act takes effect September 1, 2023.

ADOPTED

✓✓
MAY 15 2023

Latey Law
Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY: *[Signature]*

1 Amend H.B. No. 1393 (senate committee printing) in SECTION 2
2 of the bill, in the transition language (page 2, line 13), by
3 striking "January" and substituting "September".

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 16, 2023

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1393 by Frank (Relating to an optional service retirement annuity that provides an increasing annuity under the Employees Retirement System of Texas.), **As Passed 2nd House**

No significant fiscal implication to the State is anticipated.

The bill would allow a member of the Employees Retirement System (ERS) pension plan who is eligible for an unreduced service retirement annuity the ability to select a service retirement annuity that provides for an annual increase of two percent. ERS would provide the annual increases by reducing benefits at the beginning of the member's retirement. The service retirement annuity option would be required to be actuarially equivalent to the standard annuity, and the annuity and periodic adjustments would be required to result in no actuarial loss to the retirement system. The bill would allow ERS to offer other increasing annuity options, including those providing a different percentage rate of increase or a different implementation period.

According to ERS, though some initial costs would be expended for actuarial development and pension system changes needed to implement the bill, no significant fiscal impact is anticipated from the provisions of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: JMc, SD, KK, LCO, JPO, MOc

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 5, 2023

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1393 by Frank (Relating to an optional service retirement annuity that provides an increasing annuity under the Employees Retirement System of Texas.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would allow a member of the Employees Retirement System (ERS) pension plan who is eligible for an unreduced service retirement annuity the ability to select a service retirement annuity that provides for an annual increase of two percent. ERS would provide the annual increases by reducing benefits at the beginning of the member's retirement. The service retirement annuity option would be required to be actuarially equivalent to the standard annuity, and the annuity and periodic adjustments would be required to result in no actuarial loss to the retirement system. The bill would allow ERS to offer other increasing annuity options, including those providing a different percentage rate of increase or a different implementation period.

According to ERS, though some initial costs would be expended for actuarial development and pension system changes needed to implement the bill, no significant fiscal impact is anticipated from the provisions of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: JMc, KK, LCO, JPO, MOc

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 22, 2023

TO: Honorable Giovanni Capriglione, Chair, House Committee on Pensions, Investments & Financial Services

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1393 by Frank (relating to an optional service retirement annuity that provides an increasing annuity under the Employees Retirement System of Texas.), **Committee Report 1st House, Substituted**

<p>No significant fiscal implication to the State is anticipated.</p>
--

The bill would allow a member of the Employees Retirement System (ERS) pension plan who is eligible for an unreduced service retirement annuity the ability to select a service retirement annuity that provides for an annual increase of two percent. ERS would provide the annual increases by reducing benefits at the beginning of the member's retirement. The service retirement annuity option would be required to be actuarially equivalent to the standard annuity, and the annuity and periodic adjustments would be required to result in no actuarial loss to the retirement system. The bill would allow ERS to offer other increasing annuity options, including those providing a different percentage rate of increase or a different implementation period.

According to ERS, though some initial costs would be expended for actuarial development and pension system changes needed to implement the bill, no significant fiscal impact is anticipated from the provisions of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: JMc, MOc, LCO, JPO

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 14, 2023

TO: Honorable Giovanni Capriglione, Chair, House Committee on Pensions, Investments & Financial Services

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1393 by Frank (Relating to an optional service retirement annuity of the Employees Retirement System of Texas.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would allow a member of the Employees Retirement System (ERS) pension plan who is eligible for an unreduced service retirement annuity the ability to select a service retirement annuity option that provides for cost-of-living adjustments. ERS would provide the periodic increases by reducing benefits at the beginning of the member's retirement. The service retirement annuity option would be required to be actuarially equivalent to the standard annuity, and the annuity and periodic adjustments would be required to result in no actuarial loss to the retirement system.

According to ERS, though some initial costs would be expended for actuarial development and pension system changes needed to implement the bill, no significant fiscal impact is anticipated from the provisions of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: JMc, MOc, LCO, JPO

LEGISLATIVE BUDGET BOARD

Austin, Texas

ACTUARIAL IMPACT STATEMENT

88TH LEGISLATIVE REGULAR SESSION

March 22, 2023

TO: Honorable Giovanni Capriglione, Chair, House Committee on Pensions, Investments & Financial Services

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1393 by Frank (relating to an optional service retirement annuity that provides an increasing annuity under the Employees Retirement System of Texas.), **Committee Report 1st House, Substituted**

COST ESTIMATE

The bill would amend Chapter 814 of the Government Code to add an increasing annuity option for eligible members of the Employees Retirement System of Texas (ERS).

The increasing annuity option would be provided by reducing that member's retirement benefit payment for an appropriate period beginning immediately after the member's retirement and then annually increasing the benefit payment amount while they are receiving benefits. The bill would require the optional increasing annuity option adjustment be calculated to be actuarially equivalent to a standard or optional service retirement annuity as applicable and must result in no actuarial loss to ERS.

Only members eligible for an unreduced service retirement annuity and who have not yet retired would be eligible to select this option. This option would not apply to a disability retirement annuity, and members retiring under the proportionate retirement program would not be eligible for the partial lump-sum option.

The optional retirement annuity with increasing annuity option added by this bill would only apply to a retirement that occurs on or after January 1, 2024.

According to ERS, the provisions in the bill would be provided on an actuarial equivalent basis and therefore would not have an actuarial impact on ERS.

SOURCES

Actuarial Analysis by Ryan Falls, FSA, EA, MAAA Gabriel Roeder Smith & Company, March 10, 2023.

Source
Agencies: 338 Pension Review Board

LBB Staff: JMc, MOc, LCO, JPO

LEGISLATIVE BUDGET BOARD

Austin, Texas

ACTUARIAL IMPACT STATEMENT

88TH LEGISLATIVE REGULAR SESSION

March 14, 2023

TO: Honorable Giovanni Capriglione, Chair, House Committee on Pensions, Investments & Financial Services

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB1393** by Frank (Relating to an optional service retirement annuity of the Employees Retirement System of Texas.), **As Introduced**

COST ESTIMATE

The bill would amend the Government Code to add an optional service retirement annuity that includes a cost-of-living adjustment (COLA) for eligible members of the Employees Retirement System of Texas (ERS) that retire on or after January 1, 2022.

The COLA would be provided by reducing that member's retirement benefit payment for an appropriate period beginning immediately after the member's retirement and then periodically increasing the benefit payment amount while they are receiving benefits. The bill would require the optional COLA adjustment be calculated to be actuarially equivalent to a standard or optional service retirement annuity as applicable and must result in no actuarial loss to ERS.

Only members eligible for an unreduced service retirement annuity and who have not yet retired would be eligible to select this option. This option would not apply to a disability retirement annuity, and members retiring under the proportionate retirement program would not be eligible for the partial lump-sum option.

According to ERS, the provisions and recommendations in the bill would be provided on an actuarial equivalent basis and therefore would not have an actuarial impact on ERS.

SOURCES

Actuarial Analysis by Ryan Falls, FSA, EA, MAAA Gabriel Roeder Smith & Company, March 10, 2023.

Source

Agencies: 338 Pension Review Board

LBB Staff: JMc, MOc, LCO, JPO