

BILL ANALYSIS

H.B. 4029
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Pensions, Investments & Financial Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Under current law, school-based law enforcement officers such as school resource officers and school district peace officers are members of the Teacher Retirement System of Texas (TRS), which lacks specific provisions accounting for the hazardous nature of their service. The bill author has informed the committee that although these officers face elevated risks and often perform duties comparable to other peace officers, they do not have the enhanced retirement benefits available to other peace officers in systems like the Employees Retirement System of Texas, which can lead to inequities in retirement eligibility, annuity amounts, and disability coverage. H.B. 4029 seeks to address this need for more equitable and tailored retirement benefits for law enforcement officers under TRS by creating a supplemental program retirement fund for certain officers.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the board of trustees of the Teacher Retirement System of Texas in SECTIONS 3 and 7 of this bill.

ANALYSIS

H.B. 4029 amends the Government Code to provide for retirement benefits for certain law enforcement officers who are members of the Teacher Retirement System of Texas (TRS) and to create a supplemental program retirement fund.

Definitions

H.B. 4029 defines the following terms for purposes of applicable state law governing TRS:

- "supplemental program member" means a TRS member who has, is earning, or is eligible to earn credit for supplemental program service under the bill's provisions relating to the supplemental program service credit;
- "supplemental program service" means membership service that qualifies as supplemental program service under the bill's provisions; and
- "supplemental program service credit" means the amount of supplemental program service credited to a member under the bill's provisions.

Supplemental Program Service Credit

H.B. 4029 establishes the supplemental program service credit and provides the following regarding qualified membership service and the basis for the service credit:

- membership service qualifies as supplemental program service under the following conditions:
 - the membership service was provided in a position with an employer that required the member to hold an officer license issued by the Texas Commission on Law Enforcement (TCOLE) under applicable state law; and
 - the primary duty of the position was the enforcement of Texas criminal or juvenile laws; and
- supplemental program service credit is creditable as provided by rule of the board of trustees of TRS or on a month-to-month basis, whichever is greater.

Service Retirement Benefits for Supplemental Program Members

H.B. 4029 provides for the service retirement benefits for supplemental program members as follows:

- a member who has at least 25 years of supplemental program service credit is eligible to retire regardless of age and receive a service retirement annuity in an amount and to be funded as provided by this bill provision;
- the service retirement annuity is payable in an amount computed on the basis of the member's average annual compensation for the five years of service, whether or not consecutive, in which the member received the highest annual compensation, times the sum of the percentage factor used in the computation of a TRS standard service retirement annuity under applicable state law plus 0.5 percent;
- the annuity is based on retirement on or after the attainment of the normal retirement age, which for purposes of this provision is the earlier of either the age of 57 or the age at which the sum of the member's age and amount of service credit equals the number 80;
- the annuity of a supplemental program member who retires before reaching the age of 57 under any eligibility criteria is actuarially reduced by five percent for each year of difference between the member's age at retirement and 57, and this actuarial reduction is in addition to any other actuarial reduction required by law;
- a supplemental program member who retires before attaining the age of 50 is entitled only to an annuity that is actuarially reduced from the annuity available at the age of 50 to the supplemental program member whose service credit annuity amount is based on the sum of the member's age and amount of supplemental program service credit and other service credit; the member is not entitled to have the annuity recalculated at normal retirement age; and the standard or reduced annuity under this provision is payable from appropriate accounts described by applicable state law, as amended by the bill, governing the crediting of TRS assets and the supplemental program retirement fund in a ratio determined by TRS;
- optional retirement annuities provided by applicable state law governing optional service retirement benefits under TRS are available to a supplemental program member eligible to receive a service retirement annuity under this provision, but the same optional plan and beneficiary must be selected for the portion of the annuity payable from the supplemental program retirement fund and the portion payable from appropriate accounts described by applicable state law, as amended by the bill, governing the crediting of TRS assets;
- the amount payable from the supplemental program retirement fund is reducible by the amount paid from appropriate accounts described by applicable state law, as amended by the bill, governing the crediting of TRS assets and the total combined amount of an annuity under this provision may not be less than the authorized benefit under this provision subtracted by any amount necessary because of selection of an optional annuity, because of retirement before the normal retirement age, or as provided by this provision; and
- caps the service retirement annuity at 100 percent of the average compensation computed under this provision.

Disability Retirement Benefits for Supplemental Program Members

H.B. 4029 provides for disability retirement benefits for supplemental program members as follows:

- an annuity payable for a disability resulting from a risk to which supplemental program members are exposed because of the nature of the members' duties is payable under the same terms and conditions that apply to other disability retirement annuities under applicable state law governing TRS, except that the source and amount of the annuity are as provided by this provision;
- except as provided by this provision, a disability retirement annuity is an amount, but not more than 100 percent, computed on the basis of the supplemental program member's average annual compensation, times a percentage derived by application of the bill's provision relating to the authorized benefit under the supplemental program;
- a disability retirement annuity is not reducible because of age and may not be less than 50 percent of the supplemental program member's average annual compensation regardless of the amount of service credited to the member;
- the portions of the annuity under this provision payable from the supplemental program retirement fund are the amount remaining after deduction of any amount payable under applicable state law governing TRS disability retirement benefits, except the portion of an amount that exceeds the minimum payments provided by that applicable state law and that is made for service other than supplemental program service and any amount by which an annuity is increased under this provision;
- if a retiring member or retiree under this provision presents evidence satisfactory to TRS that the person's disability makes the person incapable of substantial gainful activity solely because of the disability and is considered a total disability under federal social security law, TRS must increase the person's disability retirement annuity to 100 percent of the member's average annual compensation; and
- the aforementioned annuity increase is not payable before the first month following the month in which the satisfactory evidence is received by TRS.

The bill defines "average annual compensation" for the foregoing purposes as the following:

- a member's average annual compensation for the three highest years of compensation; or
- a member's average annual compensation if a member retires with less than three years of service.

Annuity for a Survivor of a Supplemental Program Member

H.B. 4029 establishes that, if a supplemental program member who has at least 25 years of supplemental program service credit dies, the amount of the death benefit annuity payable for the member's supplemental program service is an amount computed and funded as provided by the bill's provisions relating to service retirement benefits for supplemental program members, including any applicable reduction factors.

TRS Board of Trustees

H.B. 4029 does the following with respect to the TRS board of trustees:

- authorizes the board of trustees to adopt rules for the administration of supplemental benefits for supplemental program members, subject to the limitations of applicable state law governing TRS;
- authorizes the board of trustees to authorize the executive director of TRS to acquire, hold, manage, purchase, sell, assign, trade, transfer, and dispose of any security, evidence of debt, or other investment in which assets of the supplemental program retirement fund may be invested;

- requires the board of trustees to make payments from the supplemental program retirement fund for services rendered by the actuary for that fund and approved by the board;
- requires the board of trustees to hold securities purchased with TRS assets collectively for the proportionate benefit of all accounts listed under applicable state law, as amended by the bill, governing the crediting of TRS assets and the supplemental program retirement fund;
- excludes the assets of the supplemental program retirement fund from the available cash not exceeding 10 percent of the total assets of TRS, to pay annuity and other disbursements, that the board of trustees is applicably authorized keep on deposit with the comptroller; and
- revises the applicable state law governing the crediting of TRS assets by excepting assets of the supplemental program retirement fund from the requirement for TRS assets to be maintained and reported in a manner that reflects the source of the assets or the purpose for which the assets are held in accordance with certain generally accepted accounting principles.

Withdrawal and Collection of Member's Contributions

Withdrawal

H.B. 4029 establishes that, for a supplemental program member, the withdrawal of accumulated contributions credited to the person in the member savings account that a person who is absent from service except by death or retirement may withdraw includes all of the member's contributions made under applicable provisions relating to the collection of member's contributions.

Collection

H.B. 4029, with respect to applicable state law governing the collection of a TRS member's contributions, requires each employer of a supplemental program member, in addition to the requisite amount deducted by each employer from the compensation of each member employed by the employer under that applicable state law, to deduct an additional 0.5 percent contribution from that member's compensation, to be deposited in the supplemental program retirement fund, provided that, if the state contribution to the supplemental program retirement fund is computed using a percentage less than 0.5 percent, the member's contribution is computed using a percentage equal to the percentage used to compute the state contribution. The bill requires employers participating in TRS to begin making deductions and collecting the contributions for the supplemental program retirement fund as provided by these provisions based on service that is performed on or after September 1, 2026.

Supplemental Program Retirement Fund

H.B. 4029 requires TRS to deposit in the supplemental program retirement fund state contributions and other appropriations made by the legislature to the fund and proceeds from investment of the fund. The bill authorizes TRS to use money from the fund only to pay supplemental retirement, disability, and death benefits to supplemental program members and related beneficiaries as provided by applicable state law governing TRS and to pay for the fund's administration.

H.B. 4029 prohibits money appropriated to pay benefits from the fund as provided by statutory provisions governing TRS from being diverted or used to pay any other benefits and provides that member contributions to the fund deducted under the bill's provisions relating to the collection of member's contributions, as follows:

- earn interest at the same rate as money in an individual account in the member savings account under applicable state law relating to member savings accounts; and

- are subject to the same computations and limitations that apply to member contributions under that applicable state law.

Collection of State Contributions

H.B. 4029, with respect to statutory provisions relating to the collection of state contributions to TRS, does the following:

- requires the state to contribute the following to TRS during each fiscal year:
 - an amount for the supplemental program retirement fund equal to 9.75 percent of the aggregate state compensation of all members for that fiscal year; and
 - money necessary for the administration of the supplemental program retirement fund;
- revises the requirement for the TRS board of trustees, in coordination with the Legislative Budget Board, to certify, before November 2 of each even numbered year, to the comptroller for review and adoption an estimate of the amount necessary to pay the state's contributions to TRS for the following biennium to include, as a separate item, an estimate of the amount required to administer the supplemental program retirement fund for the following biennium; and
- with respect to the prohibition against adjusting the number of certain qualifying employees in a proportion greater than the change in student enrollment at each applicable college during a reporting period for purposes of determining the amount necessary to pay the state's contribution under those provisions, excludes from that determination, the amount required to administer the supplemental program retirement fund.

Certification of Supplemental Program Member Names

H.B. 4029 requires an employer, not later than the 12th day of the month following the month in which a person begins or ceases employment in a position described by the bill's provisions relating to supplemental program service qualifications, to certify to TRS, in the manner prescribed by TRS, the name of the employee and any other information TRS determines necessary for the crediting of service and financing of benefits under statutory provisions governing TRS.

Procedural Provision

H.B. 4029 requires the TRS board of trustees to adopt rules as soon as possible after the bill's effective date to implement the bill's provisions, including rules governing the treatment of a member of TRS whose employment in a qualified position under the bill's provisions began before September 1, 2026.

EFFECTIVE DATE

September 1, 2025.