

By: Allen

H.B. No. 3870

A BILL TO BE ENTITLED

AN ACT

relating to certain benefits paid by the Employees Retirement System of Texas.

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

SECTION 1. Subchapter G, Chapter 814, Government Code, is amended by adding Sections 814.605 and 814.606 to read as follows:

Sec. 814.605. ONE-TIME ADJUSTMENT TO BENEFITS. (a) The amount of a service retirement, disability retirement, death, or other monthly benefit paid under this chapter or Chapter 804 to an annuitant based on service credited in the employee class is increased to include a one-time 10 percent adjustment payable each month of each calendar year beginning with the 2026 calendar year in accordance with this section.

(b) The board of trustees shall recompute the amount of a benefit paid monthly under this chapter or Chapter 804 by applying the 10 percent adjustment to the monthly amount otherwise required to be paid as determined in accordance with those chapters.

Sec. 814.606. ANNUAL COST-OF-LIVING ADJUSTMENT. (a) Notwithstanding Section 814.604 or 814.605, the amount of a service retirement, disability retirement, death, or other monthly benefit paid under this chapter or Chapter 804 to an annuitant based on service credited in the employee class is increased in accordance with this section as necessary to reflect inflation.

(b) Each year, during the last seven days of October, the

board of trustees shall set the rate of the adjustment for the next calendar year to equal the annual percentage increase, if any, in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) published by the Bureau of Labor Statistics of the United States Department of Labor as determined by the commissioner of social security under 42 U.S.C. Section 415(i) for purposes of providing an annual cost-of-living increase to social security benefit payments payable in the next calendar year.

(c) Subject to Subsection (d), the board of trustees shall increase the amount of a benefit payable under this chapter by applying the adjustment rate set by the board of trustees under Subsection (b) to the amount otherwise required to be paid as determined in accordance with the other applicable provisions of this chapter or Chapter 804.

(d) The board of trustees may not pay a benefit increase under this section in any calendar year unless the board finds that the retirement system is actuarially sound and has money available to pay increased benefits in that year. If the board of trustees finds that the retirement system is actuarially sound, but that the amount of money available is not sufficient to pay the full amount of the adjustment under Subsection (b), the board shall compute the largest rate of adjustment possible for the amount of money available while maintaining the actuarial soundness of the system and shall use that rate in increasing benefits under Subsection (c) for that calendar year.

SECTION 2. (a) Subject to Subsection (i) of this section and Section 811.006, Government Code, the Employees Retirement

1 System of Texas shall make a one-time supplemental payment of a  
2 service retirement, disability retirement, death, or other monthly  
3 benefit, as provided by this section.

4 (b) The supplemental payment is payable in January 2026 and,  
5 to the extent practicable, on a date or dates that coincide with the  
6 regular annuity payment payable to each eligible annuitant.

7 (c) The amount of the supplemental payment is equal to the  
8 lesser of:

9 (1) \$2,000; or

10 (2) the gross amount of the regular annuity payment to  
11 which the eligible annuitant is otherwise entitled for the month of  
12 December 2025.

13 (d) The Employees Retirement System of Texas shall make  
14 applicable tax withholding and other legally required deductions  
15 before disbursing the supplemental payment. A supplemental payment  
16 under this section is in addition to the regular monthly annuity  
17 payment to which the eligible annuitant is otherwise entitled.

18 (e) Subject to Subsection (f) of this section, to be  
19 eligible for the supplemental payment, a person must be, for the  
20 month of December 2025, an annuitant eligible to receive based on  
21 service credited in the employee class:

22 (1) a standard retirement annuity payment;

23 (2) an optional service retirement annuity payment as  
24 either a retiree or beneficiary under Section [814.108](#), Government  
25 Code;

26 (3) a standard or occupational disability retirement  
27 annuity payment;

1           (4) a death benefit annuity payment under Section  
2 [814.305](#), Government Code; or

3           (5) an alternate payee annuity payment under Section  
4 [804.005](#), Government Code.

5           (f) If the annuitant is a retiree or a beneficiary under an  
6 optional retirement payment plan, to be eligible for the  
7 supplemental payment, the effective date of the retirement of the  
8 member of the Employees Retirement System of Texas must have been on  
9 or before September 1, 2024. The supplemental payment shall be made  
10 to an alternate payee who is an annuitant under Section [804.005](#),  
11 Government Code, only if the annuity payment to the alternate payee  
12 commenced on or before September 1, 2024. The supplemental payment  
13 is in addition to the guaranteed number of payments under Section  
14 [814.108](#), Government Code, and may not be counted as one of the  
15 guaranteed monthly payments.

16           (g) The supplemental payment does not apply to payments  
17 based on service credited in the elected class, including payments  
18 under:

19                 (1) Section [814.103](#), [814.205](#), [820.053](#)(a)(3), or  
20 [820.054](#), Government Code, relating to retirees or disability  
21 retirees from the elected class of membership;

22                 (2) a subtitle other than Subtitle B, Title 8,  
23 Government Code, except as provided by Subsection (e)(5) of this  
24 section; or

25                 (3) Section [814.304](#) or [820.054](#), Government Code,  
26 relating to retiree survivor beneficiaries who receive a survivor  
27 annuity as the surviving spouse of a member of the elected class.

1           (h) Except as provided by this section, the board of  
2 trustees of the Employees Retirement System of Texas shall  
3 determine the eligibility for and the amount and timing of a  
4 supplemental payment and the manner in which the payment is made.

5           (i) The Employees Retirement System of Texas is required to  
6 make a one-time supplemental payment of benefits under this section  
7 only if the board of trustees of the Employees Retirement System of  
8 Texas finds that the legislature appropriated money to the  
9 retirement system in an amount sufficient to provide the payment  
10 without increasing the unfunded actuarial liabilities of the  
11 retirement system. The amount appropriated by the legislature to  
12 provide the payment must be in addition to any amounts the state is  
13 required to contribute to the retirement system under Subchapter E,  
14 Chapter 815, Government Code. If the board of trustees of the  
15 Employees Retirement System of Texas finds that the legislature did  
16 not appropriate money in an amount sufficient to provide a one-time  
17 supplemental payment of benefits under this section without  
18 increasing the unfunded actuarial liabilities of the retirement  
19 system, the retirement system may not make the payment.

20           SECTION 3. Sections 814.605 and 814.606, Government Code,  
21 as added by this Act, apply only to a monthly benefit payment made  
22 by the Employees Retirement System of Texas on or after January 1,  
23 2026.

24           SECTION 4. This Act takes effect September 1, 2025.