

By: Guillen, Plesa, et al.

H.B. No. 4029

A BILL TO BE ENTITLED

AN ACT

relating to retirement benefits for certain law enforcement officers who are members of the Teacher Retirement System of Texas, including the creation of a supplemental program retirement fund.

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

SECTION 1. Section [821.001](#), Government Code, is amended by adding Subdivisions (17-a), (17-b), and (17-c) to read as follows:

(17-a) "Supplemental program member" means a member of the retirement system who has, is earning, or is eligible to earn credit for supplemental program service under Subchapter G, Chapter [823](#).

(17-b) "Supplemental program service" means membership service that qualifies as supplemental program service under Section [823.551](#).

(17-c) "Supplemental program service credit" means the amount of supplemental program service credited to a member under Subchapter G, Chapter [823](#).

SECTION 2. Section [822.005](#), Government Code, is amended by adding Subsection (e) to read as follows:

(e) For a supplemental program member, the withdrawal of accumulated contributions under Subsection (a) includes all of the member's contributions made under Section [825.403](#).

SECTION 3. Chapter [823](#), Government Code, is amended by adding Subchapter G to read as follows:

SUBCHAPTER G. SUPPLEMENTAL PROGRAM SERVICE CREDIT

Sec. 823.551. SUPPLEMENTAL PROGRAM SERVICE: QUALIFICATIONS. Membership service qualifies as supplemental program service if:

(1) 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 under Chapter 1701, Occupations Code; and

(2) the primary duty of the position was the enforcement of the criminal or juvenile laws of this state.

Sec. 823.552. SUPPLEMENTAL PROGRAM SERVICE: BASIS OF CREDIT. Supplemental program service credit is creditable as provided by rule of the board of trustees or on a month-to-month basis, whichever is greater.

SECTION 4. Subchapter C, Chapter 824, Government Code, is amended by adding Section 824.2035 to read as follows:

Sec. 824.2035. SERVICE RETIREMENT BENEFITS FOR SUPPLEMENTAL PROGRAM MEMBERS. (a) Notwithstanding Sections 824.202 and 824.203, 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 section.

(b) The service retirement annuity under this section 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

1 computation of a standard service retirement annuity under Section
2 824.203 plus 0.5 percent.

3 (c) The service retirement annuity under this section is
4 based on retirement on or after the attainment of the normal
5 retirement age, which for purposes of this section is the earlier of
6 either the age of 57 or the age at which the sum of the member's age
7 and amount of service credit equals the number 80. The annuity of a
8 supplemental program member who retires before reaching the age of
9 57 under any eligibility criteria is actuarially reduced by five
10 percent for each year of difference between the member's age at
11 retirement and 57. The actuarial reduction described by this
12 section is in addition to any other actuarial reduction required by
13 law.

14 (d) A supplemental program member who retires before
15 attaining the age of 50 is entitled only to an annuity that is
16 actuarially reduced from the annuity available at the age of 50 to
17 the supplemental program member whose service credit annuity amount
18 is based on the sum of the member's age and amount of supplemental
19 program service credit and other service credit, and is not
20 entitled to have the annuity recalculated at normal retirement age.
21 The standard or reduced annuity under this section is payable from
22 appropriate accounts described by Section 825.306 and the
23 supplemental program retirement fund in a ratio determined by the
24 retirement system.

25 (e) Optional retirement annuities provided by Section
26 824.204 are available to a supplemental program member eligible to
27 receive a service retirement annuity under this section, 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 Section 825.306.

(f) The amount payable from the supplemental program retirement fund is reducible by the amount paid from appropriate accounts described by Section 825.306 for supplemental program service. The total combined amount of an annuity under this section may not be less than the authorized benefit under Subsection (b) subtracted by any amount necessary because of selection of an optional annuity, because of retirement before the normal retirement age, or as provided by Subsection (g).

(g) The service retirement annuity under this section may not exceed 100 percent of the average compensation computed under Subsection (b).

SECTION 5. Subchapter D, Chapter 824, Government Code, is amended by adding Section 824.3045 to read as follows:

Sec. 824.3045. DISABILITY RETIREMENT BENEFITS FOR SUPPLEMENTAL PROGRAM MEMBERS. (a) 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 this subtitle, except that the source and amount of the annuity are as provided by this section.

(b) Except as provided by Subsection (c), a disability retirement annuity under this section is an amount, but not more

1 than 100 percent, computed on the basis of the supplemental program
2 member's average annual compensation, times a percentage derived by
3 application of Section 824.2035(b).

4 (c) A disability retirement annuity under this section is
5 not reducible because of age and may not be less than 50 percent of
6 the supplemental program member's average annual compensation
7 regardless of the amount of service credited to the member.

8 (d) The portions of the annuity under this section payable
9 from the supplemental program retirement fund are the amount
10 remaining after deduction of any amount payable under Section
11 824.304, except the portion of an amount that exceeds the minimum
12 payments provided by Section 824.304 and that is made for service
13 other than supplemental program service and any amount by which an
14 annuity is increased under Subsection (e).

15 (e) If a retiring member or retiree under this section
16 presents evidence satisfactory to the retirement system that the
17 person's disability makes the person incapable of substantial
18 gainful activity solely because of the disability and is considered
19 a total disability under federal social security law, the
20 retirement system shall increase the person's disability
21 retirement annuity to 100 percent of the member's average annual
22 compensation.

23 (f) An annuity increase under Subsection (e) is not payable
24 before the first month following the month in which the
25 satisfactory evidence is received by the retirement system under
26 Subsection (e).

27 (g) For purposes of this section, "average annual

1 compensation" means:

2 (1) a member's average annual compensation for the
3 three highest years of compensation; or

4 (2) a member's average annual compensation if a member
5 retires with less than three years of service.

6 SECTION 6. Subchapter E, Chapter 824, Government Code, is
7 amended by adding Section 824.4025 to read as follows:

8 Sec. 824.4025. ANNUITY FOR SURVIVOR OF SUPPLEMENTAL PROGRAM
9 MEMBER. If a supplemental program member who has at least 25 years
10 of supplemental program service credit dies, the amount of the
11 death benefit annuity payable for the member's supplemental program
12 service is an amount computed and funded as provided by Section
13 824.2035, including any applicable reduction factors.

14 SECTION 7. Section 825.102, Government Code, is amended to
15 read as follows:

16 Sec. 825.102. RULEMAKING. Subject to the limitations of
17 this subtitle, the board of trustees may adopt rules for:

- 18 (1) eligibility for membership;
19 (2) the administration of the funds of the retirement
20 system; ~~and~~
21 (3) the transaction of business of the board; and
22 (4) the administration of supplemental benefits for
23 supplemental program members.

24 SECTION 8. Section 825.103, Government Code, is amended by
25 adding Subsection (b-1) to read as follows:

26 (b-1) The board of trustees may authorize the executive
27 director to acquire, hold, manage, purchase, sell, assign, trade,

1 transfer, and dispose of any security, evidence of debt, or other
2 investment in which assets of the supplemental program retirement
3 fund may be invested.

4 SECTION 9. Section 825.208, Government Code, is amended by
5 adding Subsection (d) to read as follows:

6 (d) The board of trustees shall make payments from the
7 supplemental program retirement fund for services rendered by the
8 actuary for that fund and approved by the board.

9 SECTION 10. Section 825.301(a), Government Code, is amended
10 to read as follows:

11 (a) The board of trustees shall invest and reinvest assets
12 of the retirement system without distinction as to their source in
13 accordance with Section 67, Article XVI, Texas Constitution, and
14 hold securities purchased with the assets described by this
15 subsection collectively for the proportionate benefit of all
16 accounts listed under Section 825.306 and the supplemental program
17 retirement fund. For purposes of the investment authority of the
18 board of trustees under Section 67, Article XVI, Texas
19 Constitution, "securities" includes any investment instrument
20 within the meaning of the term as defined by Section 4001.068, 15
21 U.S.C. Section 77b(a)(1), or 15 U.S.C. Section 78c(a)(10), any
22 derivative instrument, and any other instrument commonly used by
23 institutional investors to manage institutional investment
24 portfolios. An interest in a limited partnership or investment
25 contract is considered a security without regard to the number of
26 investors or the control, access to information, or rights granted
27 to or retained by the retirement system. Any instrument or contract

1 intended to manage transaction or currency exchange risk in
2 purchasing, selling, or holding securities is considered to be a
3 security. Subject to Section 825.3013, an interest in a
4 title-holding entity that is wholly owned, organized, and
5 controlled by the retirement system is considered a security.
6 Investment decisions are subject to the standard provided in the
7 Texas Trust Code by Section 117.004(b), Property Code.

8 SECTION 11. Section 825.305, Government Code, is amended to
9 read as follows:

10 Sec. 825.305. AVAILABLE CASH. The board of trustees may
11 keep on deposit with the comptroller available cash not exceeding
12 10 percent of the total assets of the retirement system, to pay
13 annuity and other disbursements, excluding the assets of the
14 supplemental program retirement fund.

15 SECTION 12. Section 825.306(a), Government Code, is amended
16 to read as follows:

17 (a) The assets of the retirement system, except assets of
18 the supplemental program retirement fund, shall be maintained and
19 reported in a manner that reflects the source of the assets or the
20 purpose for which the assets are held, using appropriate ledgers
21 and subledgers, in accordance with generally accepted accounting
22 principles prescribed by the Governmental Accounting Standards
23 Board or its successor. In addition, the maintenance and reporting
24 of the assets must be in compliance with applicable tax law and
25 consistent with any fiduciary duty owed with respect to the
26 trust. In the alternative, the assets may be credited, according
27 to the purpose for which they are held, to one of the following

1 accounts:

- 2 (1) member savings account;
- 3 (2) state contribution account;
- 4 (3) retired reserve account;
- 5 (4) interest account;
- 6 (5) expense account; or
- 7 (6) deferred retirement option account.

8 SECTION 13. Subchapter [D](#), Chapter [825](#), Government Code, is
9 amended by adding Section 825.316 to read as follows:

10 Sec. 825.316. SUPPLEMENTAL PROGRAM RETIREMENT FUND. (a)
11 The retirement system shall deposit in the supplemental program
12 retirement fund state contributions and other appropriations made
13 by the legislature to the fund and proceeds from investment of the
14 fund.

15 (b) The retirement system may use money from the fund only
16 to pay supplemental retirement, disability, and death benefits to
17 supplemental program members and related beneficiaries as provided
18 by this subtitle and to pay for the administration of the fund.

19 (c) Money appropriated to pay benefits from the fund as
20 provided by this subtitle may not be diverted or used to pay any
21 other benefits.

22 (d) Member contributions to the fund deducted under Section
23 [825.403](#)(a-1):

24 (1) earn interest at the same rate as money in an
25 individual account in the member savings account under Section
26 [825.307](#); and

27 (2) are subject to the same computations and

1 limitations that apply to member contributions under Section
2 825.307.

3 SECTION 14. Section 825.403, Government Code, is amended by
4 adding Subsection (a-1) to read as follows:

5 (a-1) In addition to the contribution under Subsection (a),
6 each employer of a supplemental program member shall deduct an
7 additional 0.5 percent contribution from that member's
8 compensation, to be deposited in the supplemental program
9 retirement fund, provided that, if the state contribution to the
10 supplemental program retirement fund is computed using a percentage
11 less than 0.5 percent, the member's contribution is computed using
12 a percentage equal to the percentage used to compute the state
13 contribution.

14 SECTION 15. Sections 825.404(a), (a-1), (a-2), (b), and
15 (b-1), Government Code, are amended to read as follows:

16 (a) Except as provided by Subsection (a-1) and subject to
17 Subsection (a-2), during each fiscal year, the state shall
18 contribute to the retirement system:

19 (1) an amount equal to at least six and not more than
20 10 percent of the aggregate annual compensation of all members of
21 the retirement system during that fiscal year;

22 (2) an amount for the supplemental program retirement
23 fund equal to 9.75 percent of the aggregate state compensation of
24 all members for that fiscal year; and

25 (3) money necessary for the administration of the
26 supplemental program retirement fund.

27 (a-1) In computing the amount owed by the state under

1 Subsections (a)(1) and (a-2) [~~this section~~], the compensation of
2 members who are employed by public junior colleges or public junior
3 college districts shall be included in the aggregate annual
4 compensation as follows:

5 (1) 50 percent of the eligible creditable compensation
6 of employees who:

7 (A) otherwise are eligible for membership in the
8 retirement system; and

9 (B) are instructional or administrative
10 employees whose salaries may be fully paid from funds appropriated
11 under the General Appropriations Act, regardless of whether such
12 salaries are actually paid from appropriated funds; and

13 (2) none of the eligible creditable compensation of
14 all other employees who:

15 (A) do not meet the requirements of Subdivision
16 (1)(B) but are otherwise eligible for membership in the retirement
17 system; or

18 (B) cannot be included as a qualifying employee
19 under Subdivision (1) by application of Subsection (b-1).

20 (a-2) The state contribution required by Subsection (a)(1)
21 [~~Subsection (a)~~] is:

22 (1) for the fiscal years beginning on September 1,
23 2019, and September 1, 2020, 7.5 percent of the aggregate annual
24 compensation of all members of the retirement system during the
25 applicable fiscal year;

26 (2) for the fiscal year beginning on September 1,
27 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, 8.25 percent of the aggregate annual compensation of all members of the retirement system during that fiscal year.

(b) Before November 2 of each even-numbered year, the board of trustees, in coordination with the Legislative Budget Board, shall certify to the comptroller of public accounts for review and adoption an estimate of the amount necessary to pay the state's contributions to the retirement system for the following biennium and, as a separate item, an estimate of the amount required to administer the supplemental program retirement fund for the following biennium. For qualifying employees under Subsection (a-1)(1), the board of trustees shall include only the amount payable by the state under Subsection (a-1)(1) in determining the amount to be certified.

(b-1) In determining the amount necessary to pay the state's contribution under ~~[described by]~~ Subsection (b), excluding the amount required to administer the supplemental program retirement fund, the number of qualifying employees under Subsection (a-1)(1) whose compensation may be included for each public junior college or public junior college district in each biennium may not be adjusted in a proportion greater than the change in student enrollment at each college during the reporting period except that

1 a college that experiences a decline in student enrollment may
2 petition the Legislative Budget Board to maintain the number of
3 eligible employees up to 98 percent of the level of the prior
4 biennium.

5 SECTION 16. Subchapter F, Chapter 825, Government Code, is
6 amended by adding Section 825.5155 to read as follows:

7 Sec. 825.5155. CERTIFICATION OF NAMES OF SUPPLEMENTAL
8 PROGRAM MEMBERS. Not later than the 12th day of the month following
9 the month in which a person begins or ceases employment in a
10 position described by Section 823.551, the employer shall certify
11 to the retirement system, in the manner prescribed by the system,
12 the name of the employee and any other information the system
13 determines necessary for the crediting of service and financing of
14 benefits under this subtitle.

15 SECTION 17. (a) Except as provided by Subsection (b) of
16 this section, employers participating in the Teacher Retirement
17 System of Texas shall begin making deductions and collecting the
18 contributions for the supplemental program retirement fund as
19 provided by Section 825.403(a-1), Government Code, as added by this
20 Act, based on service that is performed on or after September 1,
21 2026.

22 (b) The board of trustees of the Teacher Retirement System
23 of Texas shall adopt rules as soon as possible after the effective
24 date of this Act to implement the changes in law made by this Act,
25 including rules governing the treatment of a member of the Teacher
26 Retirement System of Texas whose employment in a position described
27 by Section 823.551, Government Code, as added by this Act, began

H.B. No. 4029

1 before September 1, 2026.

2 SECTION 18. This Act takes effect September 1, 2025.