

CONFERENCE COMMITTEE REPORT FORM

Austin, Texas

5/23/19

Date

Honorable Dan Patrick
President of the Senate

Honorable Dennis Bonnen
Speaker of the House of Representatives

Sirs:

We, Your Conference Committee, appointed to adjust the differences between the Senate and the House of Representatives on SB 12 have had the same under consideration, and beg to report it back with the recommendation that it do pass in the form and text hereto attached.

<u>Jan Huffman</u> Sen. Jan Huffman	<u>Greg Bonnen</u> Rep. Greg Bonnen, Chair
<u>Tim W. Keel</u> Sen. Tim Keel	<u>Byronne Akins-Harkin</u> Rep. Byronne Akins-Harkin
<u>Gene Nelson</u> Sen. Gene Nelson	<u>Jim Murphy</u> Rep. Jim Murphy
<u>LT</u> Sen. LT Taylor	<u>AP Walle</u> Rep. AP Walle
<u>Royce West</u> Sen. Royce West	<u>John Ferrel</u> Rep. John Ferrel
On the part of the Senate	On the part of the House

Note to Conference Committee Clerk:

Please type the names of the members of the Conference Committee under the lines provided for signature. Those members desiring to sign the report should sign each of the six copies. Attach a copy of the Conference Committee Report and a Section by Section side by side comparison to each of the six reporting forms. The original and two copies are filed in house of origin of the bill, and three copies in the other house.

CONFERENCE COMMITTEE REPORT

3rd Printing

S.B. No. 12

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the contributions to and benefits under the Teacher
3 Retirement System of Texas.

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

5 SECTION 1. Section 825.402, Government Code, is amended to
6 read as follows:

7 Sec. 825.402. RATE OF MEMBER CONTRIBUTIONS. The rate of
8 contributions for each member of the retirement system is:

9 (1) five percent of the member's annual compensation
10 or \$180, whichever is less, for service rendered after August 31,
11 1937, and before September 1, 1957;

12 (2) six percent of the first \$8,400 of the member's
13 annual compensation for service rendered after August 31, 1957, and
14 before September 1, 1969;

15 (3) six percent of the member's annual compensation
16 for service rendered after August 31, 1969, and before the first day
17 of the 1977-78 school year;

18 (4) 6.65 percent of the member's annual compensation
19 for service rendered after the last day of the period described by
20 Subdivision (3) and before September 1, 1985;

21 (5) 6.4 percent of the member's annual compensation
22 for service rendered after August 31, 1985, and before September 1,
23 2014;

24 (6) 6.7 percent of the member's annual compensation

1 for service rendered after August 31, 2014, and before September 1,
2 2015;

3 (7) 7.2 percent of the member's annual compensation
4 for service rendered after August 31, 2015, and before September 1,
5 2016;

6 (8) 7.7 percent of the member's annual compensation
7 for service rendered after August 31, 2016, and before September 1,
8 2017; ~~and~~

9 (9) for compensation paid ~~[service rendered]~~ on or
10 after September 1, 2017, and before September 1, 2019, the lesser
11 of:

12 (A) 7.7 percent of the member's annual
13 compensation; or

14 (B) a percentage of the member's annual
15 compensation equal to 7.7 percent reduced by one-tenth of one
16 percent for each one-tenth of one percent that the state
17 contribution rate for the fiscal year to which the compensation
18 ~~[service]~~ relates is less than the state contribution rate
19 established for the 2015 fiscal year;

20 (10) for compensation paid on or after September 1,
21 2019, and before September 1, 2021, the lesser of:

22 (A) 7.7 percent of the member's annual
23 compensation; or

24 (B) a percentage of the member's annual
25 compensation equal to 7.7 percent reduced by one-tenth of one
26 percent for each one-tenth of one percent that the state
27 contribution rate for the fiscal year to which the compensation

1 relates is less than the state contribution rate established for
2 that fiscal year under Section 825.404(a-2);

3 (11) for compensation paid on or after September 1,
4 2021, and before September 1, 2023, the lesser of:

5 (A) eight percent of the member's annual
6 compensation; or

7 (B) a percentage of the member's annual
8 compensation equal to eight percent reduced by one-tenth of one
9 percent for each one-tenth of one percent that the state
10 contribution rate for the fiscal year to which the compensation
11 relates is less than the state contribution rate established for
12 that fiscal year under Section 825.404(a-2); and

13 (12) for compensation paid on or after September 1,
14 2023, the lesser of:

15 (A) 8.25 percent of the member's annual
16 compensation; or

17 (B) a percentage of the member's annual
18 compensation equal to 8.25 percent reduced by one-tenth of one
19 percent for each one-tenth of one percent that the state
20 contribution rate for the fiscal year to which the compensation
21 relates is less than the state contribution rate established for
22 that fiscal year under Section 825.404(a-2).

23 SECTION 2. The heading to Section 825.4035, Government
24 Code, is amended to read as follows:

25 Sec. 825.4035. EMPLOYER CONTRIBUTIONS FOR CERTAIN EMPLOYED
26 MEMBERS [~~FOR WHOM THE EMPLOYER IS NOT MAKING CONTRIBUTIONS TO THE~~
27 ~~FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM~~].

1 SECTION 3. Section 825.4035, Government Code, is amended by
2 ~~amending Subsections (a), (b), and (c) and adding Subsection (e) to~~
3 read as follows:

4 (a) This section:

5 (1) except as provided by Subdivision (2), applies
6 only to an employer that is a public school or regional education
7 service center that [who] reports to the retirement system under
8 Section 825.403 the employment of a member [for whom the employer is
9 not making contributions to the federal Old-Age, Survivors, and
10 Disability Insurance program]; and

11 (2) does not apply to an employer that is an
12 institution of higher education.

13 (b) Except as provided in Subsection (c), for each member
14 an [the] employer reports to the retirement system [and for whom the
15 employer is not making contributions to the federal Old-Age,
16 Survivors, and Disability Insurance program], the employer shall
17 contribute monthly to the retirement system for each such member:

18 (1) for the period beginning with the report month of
19 September 2014 and ending with the report month of August 2015, an
20 amount equal to 1.5 percent of the member's compensation; ~~and~~

21 (2) beginning with the report month for September 2015
22 and ending with the report month of August 2019, an amount equal to
23 the lesser of:

24 (A) 1.5 percent of the member's compensation; or

25 (B) a percentage of the member's compensation
26 equal to 1.5 percent reduced by one-tenth of one percent for each
27 one-tenth of one percent that the state contribution rate for the

1 fiscal year to which the report month relates is less than the state
2 contribution rate established for the 2015 fiscal year; and

3 (3) beginning with the report month of September 2019
4 and for each subsequent report month, an amount equal to the lesser
5 of:

6 (A) a percentage of the member's compensation
7 equal to the rate of contribution provided for the applicable
8 fiscal year under Subsection (e); or

9 (B) a percentage of the member's compensation
10 equal to the percentage provided by Paragraph (A) reduced by
11 one-tenth of one percent for each one-tenth of one percent that the
12 state contribution rate for the fiscal year to which the report
13 month relates is less than the state contribution rate established
14 for that fiscal year under Section 825.404(a-2).

15 (c) If a member is entitled to the minimum salary for
16 certain school personnel under Section 21.402, Education Code, or
17 if a member would have been entitled to the minimum salary for
18 certain school personnel under former Section 16.056, Education
19 Code, as that section existed on January 1, 1995, the employer
20 shall, in addition to any contributions required under Section
21 825.405, contribute monthly to the retirement system for each such
22 member:

23 (1) for the period beginning with the report month of
24 September 2014 and ending with the report month of August 2015, an
25 amount equal to 1.5 percent of the statutory minimum salary
26 determined under Section 825.405(b); ~~and~~

27 (2) beginning with the report month for September 2015

1 and ending with the report month of August 2019, an amount equal to
2 the lesser of:

3 (A) 1.5 percent of the statutory minimum salary
4 determined under Section 825.405(b); or

5 (B) a percentage of the statutory minimum salary
6 determined under Section 825.405(b) equal to 1.5 percent reduced by
7 one-tenth of one percent for each one-tenth of one percent that the
8 state contribution rate for the fiscal year to which the report
9 month relates is less than the state contribution rate established
10 for the 2015 fiscal year; and

11 (3) beginning with the report month of September 2019
12 and for each subsequent report month, an amount equal to the lesser
13 of:

14 (A) a percentage of the statutory minimum salary
15 determined under Section 825.405(b) equal to the rate of
16 contribution provided for the applicable fiscal year under
17 Subsection (e); or

18 (B) a percentage of the statutory minimum salary
19 determined under Section 825.405(b) equal to the percentage
20 provided by Paragraph (A) reduced by one-tenth of one percent for
21 each one-tenth of one percent that the state contribution rate for
22 the fiscal year to which the report month relates is less than the
23 state contribution rate established for that fiscal year under
24 Section 825.404(a-2).

25 (e) For purposes of Subsections (b)(3)(A) and (c)(3)(A),
26 the rate of contribution is:

27 (1) 1.5 percent beginning with the report month of

1 September 2019 and ending with the report month of August 2020;

2 (2) 1.6 percent beginning with the report month of
3 September 2020 and ending with the report month of August 2021;

4 (3) 1.7 percent beginning with the report month of
5 September 2021 and ending with the report month of August 2022;

6 (4) 1.8 percent beginning with the report month of
7 September 2022 and ending with the report month of August 2023;

8 (5) 1.9 percent beginning with the report month of
9 September 2023 and ending with the report month of August 2024; and

10 (6) two percent beginning with the report month of
11 September 2024 and for each subsequent report month.

12 SECTION 4. Section 825.404, Government Code, is amended by
13 ~~amending Subsections (a) and (a-1) and adding Subsection (a-2) to~~
14 read as follows:

15 (a) Except as provided by Subsection (a-1) and subject to
16 Subsection (a-2), during each fiscal year, the state shall
17 contribute to the retirement system an amount equal to at least six
18 and not more than 10 percent of the aggregate annual compensation of
19 all members of the retirement system during that fiscal year.

20 (a-1) In computing the amount owed by the state under this
21 section [~~Subsection (a)~~], the compensation of members who are
22 employed by public junior colleges or public junior college
23 districts shall be included in the aggregate annual compensation as
24 follows:

25 (1) 50 percent of the eligible creditable compensation
26 of employees who:

27 (A) otherwise are eligible for membership in the

1 retirement system; and

2 (B) are instructional or administrative
3 employees whose salaries may be fully paid from funds appropriated
4 under the General Appropriations Act, regardless of whether such
5 salaries are actually paid from appropriated funds; and

6 (2) none of the eligible creditable compensation of
7 all other employees who:

8 (A) do not meet the requirements of Subdivision
9 (1)(B) but are otherwise eligible for membership in the retirement
10 system; or

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

13 (a-2) The state contribution required by Subsection (a) is:

14 (1) for the fiscal years beginning on September 1,
15 2019, and September 1, 2020, 7.5 percent of the aggregate annual
16 compensation of all members of the retirement system during the
17 applicable fiscal year;

18 (2) for the fiscal year beginning on September 1,
19 2021, 7.75 percent of the aggregate annual compensation of all
20 members of the retirement system during that fiscal year;

21 (3) for the fiscal year beginning on September 1,
22 2022, eight percent of the aggregate annual compensation of all
23 members of the retirement system during that fiscal year; and

24 (4) for the fiscal year beginning on September 1,
25 2023, and each subsequent fiscal year, 8.25 percent of the
26 aggregate annual compensation of all members of the retirement
27 system during that fiscal year.

1 SECTION 5. (a) The Teacher Retirement System of Texas
2 shall make a one-time supplemental payment of a retirement or death
3 benefit, as provided by this section.

4 (b) Subject to Subsection (i) of this section, the
5 supplemental payment is payable not later than September 2020 and,
6 to the extent practicable, on a date or dates that coincide with the
7 regular annuity payment payable to each eligible annuitant.

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

10 (1) the gross amount of the regular annuity payment to
11 which the eligible annuitant is otherwise entitled for the calendar
12 month immediately prior to the calendar month in which the Teacher
13 Retirement System of Texas issues the one-time supplemental payment
14 in accordance with Subsection (b) of this section; or

15 (2) \$2,000.

16 (d) The supplemental payment is payable without regard to
17 any forfeiture of benefits under Section 824.601, Government Code.
18 The Teacher Retirement System of Texas shall make applicable tax
19 withholding and other legally required deductions before
20 disbursing the supplemental payment. A supplemental payment under
21 this section is in addition to and not in lieu of the regular
22 monthly annuity payment to which the eligible annuitant is
23 otherwise entitled.

24 (e) Subject to Subsection (f) of this section, to be
25 eligible for the supplemental payment, a person must be, for the
26 calendar month immediately prior to the calendar month in which the
27 Teacher Retirement System of Texas issues the one-time supplemental

1 payment in accordance with Subsection (b) of this section, and
2 disregarding any forfeiture of benefits under Section 824.601,
3 Government Code, an annuitant eligible to receive:

4 (1) a standard retirement annuity payment;

5 (2) an optional retirement annuity payment as either a
6 retiree or beneficiary;

7 (3) a life annuity payment under Section
8 824.402(a)(4), Government Code;

9 (4) an annuity for a guaranteed period of 60 months
10 under Section 824.402(a)(3), Government Code; or

11 (5) an alternate payee annuity payment under Section
12 804.005, Government Code.

13 (f) If the annuitant is a retiree or a beneficiary under an
14 optional retirement payment plan, to be eligible for the
15 supplemental payment, the effective date of the retirement of the
16 member of the Teacher Retirement System of Texas must have been on
17 or before December 31, 2018. If the annuitant is a beneficiary
18 under Section 824.402(a)(3) or (4), Government Code, to be eligible
19 for the supplemental payment, the date of death of the member of the
20 retirement system must have been on or before December 31, 2018.
21 The supplemental payment shall be made to an alternate payee who is
22 an annuitant under Section 804.005, Government Code, only if the
23 annuity payment to the alternate payee commenced on or before
24 December 31, 2018. The supplemental payment is in addition to the
25 guaranteed number of payments under Section 824.204(c)(3) or (4),
26 Section 824.308(c)(3) or (4), or Section 824.402(a)(3), Government
27 Code, and may not be counted as one of the guaranteed monthly

1 payments.

2 (g) The supplemental payment does not apply to payments
3 under:

4 (1) Section 824.304(a), Government Code, relating to
5 disability retirees with less than 10 years of service credit;

6 (2) Section 824.804(b), Government Code, relating to
7 participants in the deferred retirement option plan with regard to
8 payments from their deferred retirement option plan accounts;

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

12 (4) Section 824.404(a), Government Code, relating to
13 active member survivor beneficiaries who receive a survivor annuity
14 in an amount fixed by statute.

15 (h) The board of trustees of the Teacher Retirement System
16 of Texas shall determine the eligibility for and the amount and
17 timing of a supplemental payment and the manner in which the payment
18 is made.

19 (i) The state shall appropriate to the Teacher Retirement
20 System of Texas an amount equal to the cost of the one-time
21 supplemental payment required by this section. This amount is in
22 addition to the amount the state is required to contribute to the
23 Teacher Retirement System of Texas under Section 825.404,
24 Government Code. If the state does not transfer the appropriated
25 amount described by this subsection, the Teacher Retirement System
26 of Texas shall not issue the one-time supplemental payment required
27 by this section.

1 SECTION 6. This Act takes effect immediately if it receives
2 a vote of two-thirds of all the members elected to each house, as
3 provided by Section 39, Article III, Texas Constitution. If this
4 Act does not receive the vote necessary for immediate effect, this
5 Act takes effect September 1, 2019.

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Conference Committee Report
Section-by-Section Analysis

SENATE VERSION

SECTION 1. Section 825.402, Government Code, is amended to read as follows:

Sec. 825.402. RATE OF MEMBER CONTRIBUTIONS. The rate of contributions for each member of the retirement system is:

(1)-(9)

(10) for compensation paid on or after September 1, 2019, and before September 1, 2021, the lesser of:

(A) 7.7 percent of the member's annual compensation; or
(B) a percentage of the member's annual compensation equal to 7.7 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the compensation relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2);

(11) for compensation paid on or after September 1, 2021, but before September 1, 2023, the lesser of:

(A) eight percent of the member's annual compensation; or
(B) a percentage of the member's annual compensation equal to eight percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the compensation relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2); and

(12) for compensation paid on or after September 1, 2023, the lesser of:

(A) 8.25 percent of the member's annual compensation; or

HOUSE VERSION (CS)

SECTION 1. Section 825.402, Government Code, is amended to read as follows:

Sec. 825.402. RATE OF MEMBER CONTRIBUTIONS. The rate of contributions for each member of the retirement system is:

(1)-(9) Same as Senate version.

(10) for compensation paid on or after September 1, 2019, the lesser of:

(A) 7.7 percent of the member's annual compensation; or
(B) a percentage of the member's annual compensation equal to 7.7 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the compensation relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2).

No equivalent provision.

No equivalent provision.

CONFERENCE

SECTION 1. Same as Senate version except as follows:

(1)-(9) Same as Senate version.

(10) Same as Senate version.

(11) for compensation paid on or after September 1, 2021, and before September 1, 2023, the lesser of:

(A) eight percent of the member's annual compensation; or
(B) a percentage of the member's annual compensation equal to eight percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the compensation relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2); and

(12) for compensation paid on or after September 1, 2023, the lesser of:

(A) 8.25 percent of the member's annual compensation; or

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(B) a percentage of the member's annual compensation equal to 8.25 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the *service* relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2).

No equivalent provision.

SECTION 2. Section 825.4035, Government Code, is amended by amending Subsections (b) and (c) and adding Subsection (e) to read as follows:

No equivalent provision.

HOUSE VERSION (CS)

Same as Senate version.

No equivalent provision.

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(B) a percentage of the member's annual compensation equal to 8.25 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the *compensation* relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2).

SECTION 2. The heading to Section 825.4035, Government Code, is amended to read as follows:

Sec. 825.4035. EMPLOYER CONTRIBUTIONS FOR CERTAIN EMPLOYED MEMBERS [~~FOR WHOM THE EMPLOYER IS NOT MAKING CONTRIBUTIONS TO THE FEDERAL OLD AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM~~].

(The conference committee may have exceeded the limitations imposed on its jurisdiction, but only the presiding officer can make the final determination on this issue.)

SECTION 3. Same as Senate version except as follows:

(a) This section:

(1) except as provided by Subdivision (2), applies only to an employer that is a public school or regional education service center that [who] reports to the retirement system under Section 825.403 the employment of a member [~~for whom the employer is not making contributions to the federal Old Age, Survivors, and Disability Insurance program~~]; and

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(b) Except as provided in Subsection (c), for each member *the* employer reports to the retirement system *and for whom the employer is not making contributions to the federal Old-Age, Survivors, and Disability Insurance program*, the employer shall contribute monthly to the retirement system for each such member:

(1) for the period beginning with the report month of September 2014 and ending with the report month of August 2015, an amount equal to 1.5 percent of the member's compensation; ~~and~~

(2) beginning with the report month for September 2015 and ending with the report month of August 2019, an amount equal to the lesser of:

(A) 1.5 percent of the member's compensation; or

(B) a percentage of the member's compensation equal to 1.5 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the report month relates is less than the state contribution rate established for the 2015 fiscal year;

(3) beginning with the report month of September 2019 and ending with the report month of August 2020, an amount equal to the lesser of:

(A) 1.5 percent of the member's compensation; or

(B) a percentage of the member's compensation equal to 1.5 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the report month relates is less than

HOUSE VERSION (CS)

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(2) does not apply to an employer that is an institution of higher education.

(b) Except as provided in Subsection (c), for each member ~~an/the~~ employer reports to the retirement system [~~and for whom the employer is not making contributions to the federal Old-Age, Survivors, and Disability Insurance program~~], the employer shall contribute monthly to the retirement system for each such member:

(1) for the period beginning with the report month of September 2014 and ending with the report month of August 2015, an amount equal to 1.5 percent of the member's compensation; ~~and~~

(2) beginning with the report month for September 2015 and ending with the report month of August 2019, an amount equal to the lesser of:

(A) 1.5 percent of the member's compensation; or

(B) a percentage of the member's compensation equal to 1.5 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the report month relates is less than the state contribution rate established for the 2015 fiscal year; and

(3) beginning with the report month of September 2019

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the state contribution rate established for that fiscal year under Section 825.404(a-2); and

(4) beginning with the report month of September 2020 and for each subsequent report month, an amount equal to the lesser of:

(A) a percentage of the member's compensation equal to the rate of contribution provided for the applicable fiscal year under Subsection (e); or

(B) a percentage of the member's compensation equal to the percentage provided by Paragraph (A) reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the report month relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2).

(c) If a member is entitled to the minimum salary for certain school personnel under Section 21.402, Education Code, or if a member would have been entitled to the minimum salary for certain school personnel under former Section 16.056, Education Code, as that section existed on January 1, 1995, the employer shall, in addition to any contributions required under Section 825.405, contribute monthly to the retirement system for each such member:

(1) for the period beginning with the report month of September 2014 and ending with the report month of August 2015, an amount equal to 1.5 percent of the statutory minimum salary determined under Section 825.405(b); ~~and~~

(2) beginning with the report month for September 2015 and ending with the report month of August 2019, an amount equal to the lesser of:

(A) 1.5 percent of the statutory minimum salary determined under Section 825.405(b); or

HOUSE VERSION (CS)

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and for each subsequent report month, an amount equal to the lesser of:

(A) a percentage of the member's compensation equal to the rate of contribution provided for the applicable fiscal year under Subsection (e); or

(B) a percentage of the member's compensation equal to the percentage provided by Paragraph (A) reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the report month relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2).

(c) If a member is entitled to the minimum salary for certain school personnel under Section 21.402, Education Code, or if a member would have been entitled to the minimum salary for certain school personnel under former Section 16.056, Education Code, as that section existed on January 1, 1995, the employer shall, in addition to any contributions required under Section 825.405, contribute monthly to the retirement system for each such member:

(1) for the period beginning with the report month of September 2014 and ending with the report month of August 2015, an amount equal to 1.5 percent of the statutory minimum salary determined under Section 825.405(b); ~~and~~

(2) beginning with the report month for September 2015 and ending with the report month of August 2019, an amount equal to the lesser of:

(A) 1.5 percent of the statutory minimum salary determined under Section 825.405(b); or

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(B) a percentage of the statutory minimum salary determined under Section 825.405(b) equal to 1.5 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the report month relates is less than the state contribution rate established for the 2015 fiscal year;

(3) beginning with the report month of September 2019 and ending with the report month of August 2020, an amount equal to the lesser of:

(A) 1.5 percent of the statutory minimum salary determined under Section 825.405(b); or

(B) a percentage of the statutory minimum salary determined under Section 825.405(b) equal to 1.5 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the report month relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2); and

(4) beginning with the report month of September 2020 and for each subsequent report month, an amount equal to the lesser of:

(A) a percentage of the statutory minimum salary determined under Section 825.405(b) equal to the rate of contribution provided for the applicable fiscal year under Subsection (e); or

(B) a percentage of the statutory minimum salary determined under Section 825.405(b) equal to the percentage provided by Paragraph (A) reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the report month relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2).

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(B) a percentage of the statutory minimum salary determined under Section 825.405(b) equal to 1.5 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the report month relates is less than the state contribution rate established for the 2015 fiscal year; and
(3) beginning with the report month of September 2019

and for each subsequent report month, an amount equal to the lesser of:

(A) a percentage of the statutory minimum salary determined under Section 825.405(b) equal to the rate of contribution provided for the applicable fiscal year under Subsection (e); or

(B) a percentage of the statutory minimum salary determined under Section 825.405(b) equal to the percentage provided by Paragraph (A) reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the report month relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2).

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(e) For purposes of Subsections (b)(4)(A) and (c)(4)(A), the rate of contribution is:

- (1) 1.6 percent beginning with the report month of September 2020 and ending with the report month of August 2021;
- (2) 1.7 percent beginning with the report month of September 2021 and ending with the report month of August 2022;
- (3) 1.8 percent beginning with the report month of September 2022 and ending with the report month of August 2023;
- (4) 1.9 percent beginning with the report month of September 2023 and ending with the report month of August 2024; and
- (5) two percent beginning with the report month of September 2024 and for each subsequent report month.

SECTION 3. Section 825.404, Government Code, is amended by amending Subsections (a) and (a-1) and adding Subsection (a-2) to read as follows:

(a)-(a-1)

(a-2) The state contribution required by Subsection (a) is:

- (1) for the fiscal year beginning on September 1, 2019, **7.25 percent of the aggregate annual compensation of all members of the retirement system during that fiscal year;**

HOUSE VERSION (CS)

SECTION 2. Section 825.404, Government Code, is amended by amending Subsections (a) and (a-1) and adding Subsection (a-2) to read as follows:

(a)-(a-1) Same as Senate version.

(a-2) The state contribution required by Subsection (a) is:

- (1) for the fiscal year beginning on September 1, 2019, **7.8 percent of the aggregate annual compensation of all members of the retirement system during that fiscal year;**

CONFERENCE

(e) For purposes of Subsections ~~(b)(4)(A)~~ **(b)(3)(A)** and ~~(c)(4)(A)~~ **(c)(3)(A)**, the rate of contribution is:

- (1) 1.5 percent beginning with the report month of September 2019 and ending with the report month of August 2020;**
- (2) 1.6 percent beginning with the report month of September 2020 and ending with the report month of August 2021;
- (3) 1.7 percent beginning with the report month of September 2021 and ending with the report month of August 2022;
- (4) 1.8 percent beginning with the report month of September 2022 and ending with the report month of August 2023;
- (5) 1.9 percent beginning with the report month of September 2023 and ending with the report month of August 2024; and
- (6) two percent beginning with the report month of September 2024 and for each subsequent report month.

SECTION 4. Same as Senate version except as follows:

(a)-(a-1) Same as Senate version.

(a-2) The state contribution required by Subsection ~~(a)~~ **(a)** is:

- (1) for the fiscal ~~year~~ **years** beginning on September 1, 2019,

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(2) for the fiscal year beginning on September 1, 2020, 7.5 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, 2021, 7.75 percent of the aggregate annual compensation of all members of the retirement system during that fiscal year;
(4) 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
(5) 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.

SECTION 4.

(a)

(b) The supplemental payment is payable *not earlier than the first calendar month after the calendar month in which the state transfers to the Teacher Retirement System of Texas the amount described by Subsection (i) of this section.* To the extent practicable, *the Teacher Retirement System of Texas shall issue the supplemental payment* on a date or dates that coincide with the regular annuity payment payable to each eligible annuitant.

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

(1) the gross amount of the regular annuity payment to which the eligible annuitant is otherwise entitled for the

HOUSE VERSION (CS)

(2) for the fiscal year beginning on September 1, 2020, 8.05 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, 2021, 8.3 percent of the aggregate annual compensation of all members of the retirement system during that fiscal year;
(4) for the fiscal year beginning on September 1, 2022, 8.55 percent of the aggregate annual compensation of all members of the retirement system during that fiscal year; and
(5) for the fiscal year beginning on September 1, 2023, and each subsequent fiscal year, 8.8 percent of the aggregate annual compensation of all members of the retirement system during that fiscal year.

SECTION 3

(a) Same as Senate version.

(b) *Subject to Subsection (i) of this section,* the supplemental payment is payable *not later than September 2020 and,* to the extent practicable, on a date or dates that coincide with the regular annuity payment payable to each eligible annuitant.

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

(1) the gross amount of the regular annuity payment to which the eligible annuitant is otherwise entitled for the

CONFERENCE

and September 1, 2020, 7.5 percent of the aggregate annual compensation of all members of the retirement system during the applicable fiscal year;
(2) for the fiscal year beginning on September 1, 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.

SECTION 5. Same as Senate version except as follows:

(a) Same as Senate version.

(b) Same as House version.

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

(1) the gross amount of the regular annuity payment to which the eligible annuitant is otherwise entitled for the

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calendar month immediately prior to the calendar month in which the Teacher Retirement System of Texas issues the one-time supplemental payment in accordance with Subsection (b) of this section; or

(2) **\$500.**

(d)-(g)

(h) ***Subject to the requirements of this section,*** the board of trustees of the Teacher Retirement System of Texas shall determine the eligibility for and the amount and timing of a supplemental payment and the manner in which the payment is made.

(i)

SECTION 5. This Act takes effect September 1, 2019.

HOUSE VERSION (CS)

calendar month immediately prior to the calendar month in which the Teacher Retirement System of Texas issues the one-time supplemental payment in accordance with Subsection (b) of this section; or

(2) **\$2,400.**

(d)-(g) Same as Senate version.

(h) The board of trustees of the Teacher Retirement System of Texas shall determine the eligibility for and the amount and timing of a supplemental payment and the manner in which the payment is made.

(i) Same as Senate version.

SECTION 4. Same as Senate version.

CONFERENCE

calendar month immediately prior to the calendar month in which the Teacher Retirement System of Texas issues the one-time supplemental payment in accordance with Subsection (b) of this section; or

(2) **\$2,000.**

~~(d)~~-(g) Same as Senate version.

~~(h)~~ Same as House version.

~~(i)~~ Same as Senate version.

SECTION 6. *This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2019.*

(The conference committee may have exceeded the limitations imposed on its jurisdiction, but only the presiding officer can make the final determination on this issue.)

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 25, 2019

TO: Honorable Dan Patrick, Lieutenant Governor, Senate
 Honorable Dennis Bonnen, Speaker of the House, House of Representatives

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
 Legislative Budget Board

IN RE: SB12 by Huffman (Relating to the contributions to and benefits under the Teacher Retirement System of Texas.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for SB12, Conference Committee Report: a negative impact of (\$1,024,759,184) through the biennium ending August 31, 2021.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$802,152,044)
2021	(\$222,607,140)
2022	(\$315,522,121)
2023	(\$416,263,468)
2024	(\$525,353,599)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>TRS Trust Account Fund</i> 960
2020	(\$802,152,044)	\$355,759,480
2021	(\$222,607,140)	\$402,984,816
2022	(\$315,522,121)	\$738,924,346
2023	(\$416,263,468)	\$941,108,372
2024	(\$525,353,599)	\$1,301,132,048

Fiscal Analysis

The bill would amend the Government Code to increase state, employee, and employer contributions to Teacher Retirement System (TRS) for public and higher education retirement benefits.

The bill would require TRS active employee members to contribute to TRS the following percentages of annual compensation per year: 7.7 percent for fiscal years 2020 and 2021, 8.0 percent for fiscal years 2022 and 2023, and 8.25 percent per year thereafter. The bill would reduce these required contribution rates by 0.1 percent for each 0.1 percent the state reduces its contribution rate from the rates specified by the bill for that fiscal year.

The bill would require all public education employers to make an additional contribution to TRS. For employees who are subject to the Minimum Salary Schedule (MSS) under Education Code Section 21.402 or who would have been subject to the MSS under former Education Code Section 1.056 as it existed on January 1, 1995, this contribution would be a percentage of the Statutory Minimum Salary determined under Government Code Section 825.405. For other TRS members, this contribution would be a percentage of the members' compensation. The bill would specify the following contribution rates for both groups of employees per year: 1.5 percent for fiscal year 2020, 1.6 percent for fiscal year 2021, 1.7 percent for fiscal year 2022, 1.8 percent for fiscal year 2023, 1.9 percent for fiscal year 2024, and 2.0 percent per year thereafter. The bill would reduce these required contribution rates by 0.1 percent for each 0.1 percent the state reduces its contribution rate from the rates specified by the bill for that fiscal year.

The bill would require the state to contribute to TRS the following percentages of aggregate annual compensation for all members during each fiscal year: 7.5 percent for fiscal year 2020, 7.5 percent for fiscal year 2021, 7.75 percent for fiscal year 2022, 8.0 percent for fiscal year 2023, and 8.25 percent per year thereafter.

The bill would require TRS to provide a onetime supplemental payment of a retirement or death benefit to certain annuitants not later than September 2020, contingent upon receipt of an additional appropriation from the state equal to the cost of the payment. The payment would equal the lesser of \$2,000 or the gross annuity payment to which the annuitant is entitled for the month preceding the month when TRS issues the payment.

Methodology

This analysis estimates the bill would result in a cost of \$1.0 billion in General Revenue in the 2020-21 biennium, including \$435.8 million related to increases in the state contribution rate and \$589.0 million for a onetime supplemental payment to TRS annuitants in fiscal year 2020. This analysis further estimates the bill would result in \$758.7 million in total additional contributions from the state and employers to the TRS Trust Account Fund 960 for the 2020-21 biennium.

Based on fiscal year 2018 TRS payroll data, this analysis assumes public and higher education covered payroll would total \$37.0 billion and \$10.7 billion, respectively, in fiscal year 2020. This analysis assumes that these amounts will increase annually by 4.1 percent and 5.6 percent, respectively, based on projected payroll growth trends. The bill would increase the current 6.8 percent state contribution rate for fiscal year 2019 by 0.7 percentage points for fiscal years 2020 and 2021; and by an additional 0.25 percentage points each fiscal year from 2022 to 2024.

Applying these rate increases to the assumed payroll results in estimated additional total state contributions of \$333.1 million in fiscal year 2020, \$347.8 million in fiscal year 2021, increasing

to \$820.9 million in fiscal year 2024. TRS assumes 64.0 percent of the total additional state contributions would be paid by General Revenue Funds, and the remaining 36.0 percent would be funded by increased payments from public and higher education employers pursuant to Government Code, Chapter 825. These employer payments, which offset General Revenue, include the Statutory Minimum Contribution, contributions for new TRS members for the first 90 days of employment, federal funds and private grants, Educational and General Funds, non-Educational and General Funds, and contributions for employees of community colleges. Using the TRS assumption of 64 percent of the state's contribution being paid by General Revenue results in additional state costs of \$213.2 million in fiscal year 2020, \$222.6 million in fiscal year 2021, increasing to \$525.4 million in fiscal year 2024. However, actual General Revenue costs will vary based on the actual growth of payroll and employer payments offsetting General Revenue.

The bill would increase the current 7.7 percent active employee contribution rate for fiscal year 2019 by 0.3 percentage points in fiscal year 2022 and by 0.25 percentage points in fiscal year 2024. Applying these rate increases to the assumed payroll results in estimated additional employee contributions of \$155.7 million in fiscal year 2022, increasing to \$311.4 million in fiscal year 2024 to TRS Trust Account Fund 960.

The bill would increase the 1.5 percent contribution currently paid by only non-Social Security participating public education employers by 0.1 percentage points each fiscal year from 2021 to 2024 and require all public education employers to make the contribution. This analysis assumes the contribution would apply to 82.0 percent of TRS public education payroll each year, an increase from the current 77.9 percent of public education payroll. Applying these rate increases to the assumed payroll results in estimated additional employer contributions of \$22.7 million in fiscal year 2020, \$55.2 million in fiscal year 2021, increasing to \$168.9 million in fiscal year 2024 to TRS Trust Account Fund 960.

Including increases in state, member, and employer contributions, additional revenues to the TRS Trust Account Fund 960 are estimated to total \$355.8 million in fiscal year 2020, \$403.0 million in fiscal year 2021, increasing to \$1.3 billion in fiscal year 2024. Final additional revenues would vary based on the actual growth of payroll.

TRS assumes the cost to provide a onetime supplemental payment of a retirement or death benefit to certain annuitants as required by the bill would total \$589.0 million in General Revenue in fiscal year 2020.

Local Government Impact

This analysis assumes the bill would result in \$323.0 million in additional retirement costs statewide for public education employers in the 2020-21 biennium. Based on fiscal year 2018 TRS payroll data, this analysis assumes payments from public education employers would represent 20.0 percent of the increased state contributions, totaling an estimated \$65.5 million in fiscal year 2020, \$68.4 million in fiscal year 2021, increasing to \$161.5 million in fiscal year 2024. Additionally, public education employer contributions are estimated to total \$22.7 million in fiscal year 2020, \$55.2 million in fiscal year 2021, increasing to \$168.9 million in fiscal year 2024. Actual costs would vary by employer based on actual payroll amounts.

This analysis further assumes additional payments from community colleges would represent 2.0 percent of the increased state contributions, resulting in statewide additional costs to community colleges estimated to be \$5.7 million in fiscal year 2020, \$5.9 million in fiscal year 2021, increasing to \$14.0 million in fiscal year 2024. Actual costs would vary by employer based on

actual payroll amounts.

Source Agencies: 323 Teacher Retirement System

LBB Staff: WP, ASa, CMa, AM

**Certification of Compliance with
Rule 13, Section 6(b), House Rules of Procedure**

Rule 13, Section 6(b), House Rules of Procedure, requires a copy of a conference committee report signed by a majority of each committee of the conference to be furnished to each member of the committee in person or, if unable to deliver in person, by placing a copy in the member's newspaper mailbox at least one hour before the report is furnished to each member of the house under House Rule 13, Section 10(a). The paper copies of the report submitted to the chief clerk under Rule 13, Section 10(b), must contain a certificate that the requirement of Rule 13, Section 6(b), has been satisfied, and that certificate must be attached to the copy of the report furnished to each member under Rule 13, Section 10(d). Failure to comply with this requirement is not subject to a point of order under Rule 13.

I certify that a copy of the conference committee report on SB12 was furnished to each member of the conference committee in compliance with Rule 13, Section 6(b), House Rules of Procedure, before submission of the paper copies of the report to the chief clerk under Rule 13, Section 10(b), House Rules of Procedure.

Greg Bomen
(name)

May 23, 2019
(date)