

BILL ANALYSIS

C.S.H.B. 2974
By: Flynn
Pensions
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties note that certain health benefit plans under the Texas Public School Retired Employees Group Benefits Act and the Texas School Employees Uniform Group Health Coverage Act are projected to face a severe funding shortage. These parties assert that without changes, the sustainability of those programs is at risk. C.S.H.B. 2974, in an effort to ensure the best care for Texas teachers, seeks to investigate all available options in delivering the best possible solutions for this issue.

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 this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2974 creates a joint interim committee to study and review the health benefit plans, including TRS-Care and TRS-ActiveCare, operated under the Texas Public School Retired Employees Group Benefits Act and the Texas School Employees Uniform Group Health Coverage Act and to propose reforms to address certain issues described by the bill. The bill requires the joint interim committee, in conducting the study, to examine and assess the financial soundness of the plans, the cost and affordability of plan coverage to persons eligible for coverage under the plans, and the sufficiency of access to physicians and health care providers under the plans.

C.S.H.B. 2974 sets out the composition of the six-member committee, with appointments to be made by the lieutenant governor and speaker of the house of representatives, requires the lieutenant governor and speaker to each designate a co-chair from among the committee members, and requires the committee to convene at the joint call of the co-chairs. The bill grants the committee all other powers and duties provided to a special or select committee by the rules of the senate and house of representatives, by the Legislative Reorganization Act of 1961, and by policies of the senate and house committees on administration.

C.S.H.B. 2974 requires the joint interim committee, not later than January 15, 2017, to report the committee's findings and recommendations to the lieutenant governor, the speaker of the house of representatives, and the governor. The bill requires the committee to include in its recommendations specific statutory and regulatory changes that appear necessary from the results of the committee's study. The bill requires the lieutenant governor and speaker, not later than the 60th day after the bill's effective date, to appoint the members of the committee. The bill's provisions expire and the joint interim committee is abolished on January 20, 2017.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2015.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2974 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 822.201(b), Government Code, is amended to read as follows:

No equivalent provision.

(b) "Salary and wages" as used in Subsection (a) means:

(1) normal periodic payments of money for service the right to which accrues on a regular basis in proportion to the service performed;

(2) amounts by which the member's salary is reduced under a salary reduction agreement authorized by Chapter 610;

(3) amounts that would otherwise qualify as salary and wages under Subdivision (1) but are not received directly by the member pursuant to a good faith, voluntary written salary reduction agreement in order to finance payments to a deferred compensation or tax sheltered annuity program specifically authorized by state law or to finance benefit options under a cafeteria plan qualifying under Section 125 of the Internal Revenue Code of 1986, if:

(A) the program or benefit options are made available to all employees of the employer; and

(B) the benefit options in the cafeteria plan are limited to one or more options that provide deferred compensation, group health and disability insurance, group term life insurance, dependent care assistance programs, or group legal services plans;

(4) performance pay awarded to an employee by a school district as part of a total compensation plan approved by the board of trustees of the district and meeting the requirements of Subsection (e);

(5) the benefit replacement pay a person earns under Subchapter H, Chapter 659, except as provided by Subsection (c);

(6) stipends paid to teachers in accordance with Section 21.410, 21.411, 21.412, or 21.413, Education Code;

(7) amounts by which the member's salary is reduced or that are deducted from the member's salary as authorized by Subchapter J, Chapter 659;

(8) a merit salary increase made under Section 51.962, Education Code;

(9) amounts received under the relevant parts of the educator excellence awards program under Subchapter O, Chapter 21, Education Code, or a mentoring program under Section 21.458, Education Code, that authorize compensation for service;

(10) salary amounts designated as health care supplementation by an employee under Subchapter D, Chapter 22, Education Code; and

(11) to the extent required by Sections 3401(h) and 414(u)(12) [~~414(u)(2)~~], Internal Revenue Code of 1986, differential wage payments received by an individual from an employer on or after January 1, 2009, while the individual is performing qualified military service as defined by Section 414(u), Internal Revenue Code of 1986.

SECTION 2. Section 823.006, Government Code, is amended to read as follows:

Sec. 823.006. LIMITS ON ANNUAL CONTRIBUTIONS FOR PURCHASE OF SERVICE CREDIT. Notwithstanding any other provision of this subtitle, the retirement system shall [~~may~~] limit the purchase of service credit to the extent required by applicable limits on the amount of annual contributions a participant may make to a qualified plan under Sections 401(a) and 415(c), Internal Revenue Code of 1986.

No equivalent provision.

SECTION 3. Section 824.202(f), Government Code, is amended to read as follows:

(f) Except as provided by Chapter 803 or 805, a member is not eligible to receive service retirement benefits from the retirement system unless the member has at least five years of service credit in the retirement system for actual service in public schools or other service the board by rule may prescribe.

No equivalent provision.

SECTION 4. Sections 825.002(a), (d), and (e), Government Code, are amended to read as follows:

(a) The governor shall appoint, with the advice and consent of the senate and as

No equivalent provision.

provided by this section, nine [~~seven~~] members of the board of trustees.

(d) The governor shall appoint two members [~~one member~~] of the board from a slate of three former members of the retirement system who have retired and are receiving benefits from the retirement system and who have been nominated in accordance with Subsections (f) and (g) by the persons who have retired and are receiving benefits from the retirement system.

(e) The governor shall appoint two members [~~one member~~] of the board from a slate of three persons who have been nominated in accordance with Subsection (f) by the following groups collectively:

(1) members of the retirement system whose most recent credited service was performed for an institution of higher education;

(2) members of the retirement system whose most recent credited service was performed for a public school district, charter school, or regional education service center; and

(3) persons who have retired and are receiving benefits from the retirement system.

SECTION 5. Section 825.408(a), Government Code, is amended to read as follows:

(a) An employer that fails to remit, before the 10th [~~seventh~~] day after the last day of a month, all member and employer deposits and documentation of the deposits required by this subchapter to be remitted by the employer for the month shall pay to the retirement system, in addition to the deposits, interest on the unpaid or undocumented amounts at an annual rate compounded monthly. The rate of interest is the rate established under Section 825.313(b)(1), plus two percent. Interest required under this section is creditable to the interest account. On request, the retirement system may grant a waiver of the deadline imposed by this subsection based on an employer's financial or technological resources.

No equivalent provision.

SECTION 6. Section 1579.255(a), Insurance Code, is amended to read as follows:

(a) A participating entity that does not remit to the trustee all contributions required by this subchapter before the 10th [~~seventh~~] day after the last day of the month shall pay

No equivalent provision.

to the Texas school employees uniform group coverage trust fund:
(1) the contributions; and
(2) interest on the unpaid amounts at the annual rate of six percent compounded monthly.

SECTION 7. Section 825.002, Government Code, as amended by this Act, applies only to an election of a member of the board of trustees of the Teacher Retirement System of Texas that occurs on or after the effective date of this Act.

No equivalent provision.

SECTION 8. The board of trustees of the Teacher Retirement System of Texas shall study the benefits, funding, and administration of the retirement system and adopt findings and recommendations that will improve the administration and performance of the retirement system. Not later than December 1, 2016, the board shall report the board's findings and recommendations to the governor, lieutenant governor, speaker of the house of representatives, and standing committees of the house of representatives and senate that have primary jurisdiction over state pension systems.

No equivalent provision.

No equivalent provision.

SECTION 1. CREATION OF JOINT INTERIM COMMITTEE. (a) A joint interim committee is created to study and review the health benefit plans, including TRS-Care and TRS-ActiveCare, operated under Chapters 1575 and 1579, Insurance Code, and propose reforms to address issues described by Section 2 of this Act.
(b) The joint interim committee shall be composed of three senators appointed by the lieutenant governor and three members of the house of representatives appointed by the speaker of the house of representatives.
(c) The lieutenant governor and speaker of the house of representatives shall each designate a co-chair from among the joint interim committee members.
(d) The joint interim committee shall convene at the joint call of the co-chairs.
(e) The joint interim committee has all other powers and duties provided to a special or select committee by the rules of the senate and house of representatives, by Subchapter B, Chapter 301, Government Code, and by policies of the senate and house committees on administration.

No equivalent provision.

SECTION 2. INTERIM STUDY REGARDING CERTAIN HEALTH BENEFIT PLANS. The joint interim committee created by Section 1 of this Act shall study the health benefit plans, including TRS-Care and TRS-ActiveCare, operated under Chapters 1575 and 1579, Insurance Code, to examine and assess the following issues:

- (1) the financial soundness of the plans;
- (2) the cost and affordability of plan coverage to persons eligible for coverage under the plans; and
- (3) the sufficiency of access to physicians and health care providers under the plans.

No equivalent provision.

SECTION 3. COMMITTEE FINDINGS AND RECOMMENDATIONS. (a) Not later than January 15, 2017, the joint interim committee shall report the committee's findings and recommendations to the lieutenant governor, the speaker of the house of representatives, and the governor. The joint interim committee shall include in its recommendations specific statutory and regulatory changes that appear necessary from the results of the committee's study under Section 2 of this Act.

(b) Not later than the 60th day after the effective date of this Act, the lieutenant governor and speaker of the house of representatives shall appoint the members of the joint interim committee created under Section 1 of this Act in accordance with that section.

No equivalent provision.

SECTION 4. ABOLITION OF COMMITTEE. The joint interim committee created by this Act is abolished and this Act expires January 20, 2017.

SECTION 9. This Act takes effect September 1, 2015.

SECTION 5. EFFECTIVE DATE. 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, 2015.