

BILL ANALYSIS

S.B. 463
By: Huffman
Pensions
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties observe that certain fund accounts in the Texas County and District Retirement System must be restructured to facilitate compliance with the new Governmental Accounting Standards Board reporting requirements and to provide employers with the data needed to report net pension liability. S.B. 463 seeks to provide for this restructuring.

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

S.B. 463 amends the Government Code to rename the current service annuity reserve fund, a fund account of the Texas County and District Retirement System (TCDRS), the closed subdivision annuity reserve fund and repurposes the closed subdivision annuity reserve fund and the subdivision accumulation fund to respectively provide for the payment of annuities and benefits to annuitants who were members of a political subdivision that terminated participation with TCERS and annuitants who are members of a political subdivision participating in TCERS.

Closed Subdivision Annuity Reserve Fund

S.B. 463 repurposes the closed subdivision annuity reserve fund by requiring TCERS to deposit and hold in that fund all reserves for annuities payable to annuitants who were members of a political subdivision that terminated participation with TCERS. The bill removes a requirement that TCERS deposit and hold in the current service annuity reserve fund all reserves for current service annuities in force that were granted before January 1, 1978, and all basic annuities granted on or after that date.

S.B. 463 requires TCERS, when a member retires from a political subdivision that has terminated participation with TCERS, to transfer the member's individual account to the closed subdivision annuity reserve fund.

S.B. 463 requires the TCERS board of trustees, for purposes of required annual allocations of net investment income or loss as of December 31 of each year to the account of a political subdivision that voluntarily or involuntarily terminated participation with TCERS, to determine before December 31 of that year the allocation amount and transfer date for a political subdivision that terminated participation before that date.

S.B. 463, effective January 1, 2017, establishes that the closed subdivision annuity reserve fund consists of the assets and liabilities of each of the respective accounts in the current service annuity reserve fund for each formerly participating political subdivision that has terminated participation with TCDRS.

Subdivision Accumulation Fund

S.B. 463 repurposes the subdivision accumulation fund by requiring TCDRS to pay all payments for annuities and other benefit payments granted by a participating political subdivision from the subdivision accumulation fund. The bill removes the requirement that TCDRS pay from the subdivision accumulation fund all payments under prior service annuities granted before January 1, 1978, and currently in force and all payments under supplemental annuities from credits granted by a participating political subdivision. The bill removes the requirement that TCDRS charge payments from the subdivision accumulation fund to the participating political subdivision's account.

S.B. 463 provides for the transfer of a TCDRS member's accumulated contributions on retirement from the employees saving fund to the subdivision accumulation fund instead of to the former current service annuity reserve fund. The bill removes the requirement that TCDRS transfer an amount equal to the member's current service credit from the subdivision accumulation fund to the former current service annuity reserve fund when a member retires.

S.B. 463 requires TCDRS, effective January 1, 2017, to transfer, if appropriate, the assets and corresponding liabilities of each participating subdivision's accounts in the closed subdivision annuity reserve fund, formerly known as the current service annuity reserve fund, to the appropriate account in the subdivision accumulation fund, as determined by the TCDRS board of trustees in consultation with the TCDRS actuary. The bill requires TCDRS to make all necessary computations, based on a valuation date of December 31, 2016, to reflect the transfers of assets and liabilities required for a political subdivision participating in TCDRS.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, January 1, 2016.