

BILL ANALYSIS

C.S.S.B. 12
By: Huffman
Pensions, Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

It has been emphasized that the pension trust fund of the Teacher Retirement System must be maintained at a level of actuarial stability that will accommodate benefits well into the future and that will provide for any eventual supplemental payments or cost-of-living adjustments. C.S.S.B. 12 seeks to accomplish actuarial stability by adjusting the rates of member and state contributions and provides for a one-time supplemental payment of a retirement or death benefit payable not later than September 2020.

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.S.B. 12 amends the Government Code to set the required state contribution to the Teacher Retirement System of Texas (TRS) based on certain percentages of the aggregate annual compensation of all members of TRS during each respective fiscal year from the fiscal year beginning on September 1, 2019, to the fiscal year beginning on September 1, 2023.

C.S.S.B. 12 sets the rate of contributions for each member of TRS for compensation paid on or after September 1, 2019, at the lesser of 7.7 percent of the member's annual compensation or a rate that is reduced based on the state contribution rate established under the bill's provisions for the applicable fiscal year.

C.S.S.B. 12 requires TRS to make a one-time supplemental payment of a retirement or death benefit 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. The bill provides for the minimum amount of the supplemental payment.

C.S.S.B. 12 sets out provisions relating to applicable tax withholding and other legally required deductions; eligibility for the supplemental payment, including eligibility for a retiree or beneficiary under an optional retirement payment plan; and restrictions applicable to the payment. The supplemental payment is in addition to the guaranteed number of optional service or optional disability retirement annuity payments and the guaranteed number of payments to a designated beneficiary of a member who dies during a school year in which the member has performed service. The bill prohibits the supplemental payment from being counted as one of the guaranteed monthly payments.

C.S.S.B. 12 excludes the supplemental payment from payments made under statutory provisions relating to disability retirement annuities for retirees with less than 10 years of service credit, payments from deferred retirement option plan accounts to retirees who have participated in the deferred retirement option plan, and fixed-amount annuities for retiree or active member survivor beneficiaries.

C.S.S.B. 12 requires the board of trustees of TRS to determine the eligibility for and the amount and timing of a supplemental payment and the manner in which the payment is made. The bill requires the state to appropriate to TRS an amount equal to the cost of the one-time supplemental payment. The amount is in addition to the amount the state is required to contribute to TRS under statutory provisions relating to collection of state contributions to TRS. The bill prohibits TRS from issuing the one-time supplemental payment if the state does not transfer the appropriated amount.

EFFECTIVE DATE

September 1, 2019.

COMPARISON OF SENATE ENGROSSED AND SUBSTITUTE

While C.S.S.B. 12 may differ from the engrossed in minor or nonsubstantive ways, the following summarizes the substantial differences between the engrossed and committee substitute versions of the bill.

The substitute does not include provisions relating to the rates of monthly employer contributions to TRS with respect to 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 substitute changes bill provisions relating to:

- the rate of contributions for each member of TRS for compensation paid on or after September 1, 2019;
- the required state contribution to TRS based on the percentages of the aggregate annual compensation of all members of TRS during the specified fiscal years;
- the deadline by which the one-time supplemental payment is payable; and
- the calculation of the minimum amount of the supplemental payment.