

SUBJECT: Changing effective date on ERS-TRS transferability

COMMITTEE: Pensions and Investments — committee substitute recommended

VOTE: 5 ayes — Telford, Johnson, Averitt, Haggerty, Rangel
0 nays
4 absent — Berlanga, McCall, Willis, Wilson

WITNESSES: For — None
Against — None
On — Charles D. Travis, Employees Retirement System; Randy Mercer, Teacher Retirement System

BACKGROUND: In 1993 the 73rd Legislature enacted SB 1181, which allows the transfer of retirement credit between the Employees Retirement System of Texas (ERS) and the Teacher Retirement System of Texas (TRS) by members with service in both systems. The bill authorized the use of the final average salary to calculate benefits, as if the employee had been employed in one system for the total amount of service.

The transferability section of SB 1181 applied to retirements and deaths that occurred on or after August 31, 1993, but took effect June 18, 1993, to allow the ERS and TRS time to prepare for the administration of the transferability provisions.

DIGEST: CSHB 795 would allow surviving spouses of members of ERS or TRS who died on or after June 18, 1993, to reinstate, purchase or transfer service between ERS and TRS.

ERS or TRS would be required to recompute benefits according to the change. A surviving spouse would be required to return a lump sum death benefit as a condition of reinstating, purchasing or transferring service.

CSHB would take effect immediately if approved by a two-thirds vote of the membership of each house.

**SUPPORTERS
SAY:**

HB 795 would allow the spouses of members of the ERS or TRS who died between June 18 and August 31, 1995, to transfer service and then combine service into one system for retirement purposes. Members of TRS and ERS began making plans to take advantage of the transferability law after the bill was passed last session. Unfortunately, some members died before September 1, when they could actually make a transfer. This bill merely would allow the surviving spouses to take advantage of the transfer their spouses would have made had they not died, to combine years of service in both systems and receive higher retirement benefits.

This bill would only affect a handful of people at most and would have almost no actuarial impact on ERS or TRS according to the actuarial impact statement.

**OPPONENTS
SAY:**

Changing a pension law to make it retroactive to a particular date would set a bad precedent. The transferability law enacted in 1993 specifically applied to retirement and deaths after August 31, 1993. This bill would arbitrarily make that law retroactive to June 18, 1993; why should a person whose spouse died on June 17 or earlier not also be included? Pension laws are based on certain assumptions, and changing the law after the fact could have adverse actuarial effects.

NOTES:

The committee substitute added the provision about return of the lump-sum death benefit.