HOUSE RESEARCH ORGANIZATION bill analysis 4/25/2001

SB 523
Armbrister
(Kuempel)

SUBJECT: County and District Retirement System benefits and administration

COMMITTEE: Pensions and Investments — favorable, without amendment

VOTE: 7 ayes — Tillery, Woolley, Crownover, Salinas, George, Goodman, Rangel,

0 nays

2 absent — Telford, Williams

SENATE VOTE: On final passage, March 8 — 30-0

WITNESSES: None

BACKGROUND: The Texas County and District Retirement System (TCDRS) serves the employees of counties and political subdivisions that include special districts. The system provides retirement annuities, disability benefits, and other benefits for 252 of the 254 counties and for about as many districts. TCDRS is run by a nine-member board of trustees appointed by the governor. Its funding comes from participating counties and districts and their employees.

DIGEST: SB 523 would amend the Government Code to modify provisions relating to participation in, contributions to, and administration of TCDRS. The bill would make the following substantive changes:

- allow TCDRS members who had worked for more than one participating employer to choose to retire or receive a refund from any individual account or any combination of accounts, rather than have to retire or receive a refund simultaneously from all accounts;
- allow retirees who had returned to work for the same employer to collect a lump-sum distribution of their suspended annuity payments after they terminated employment covered by TCDRS;
- allow future retirees a pension option under which a retiree who chose an annuity with payment throughout a beneficiary’s life could begin receiving a higher standard benefit payment if the beneficiary died first;
- increase from $2,500 to $5,000 the benefit for retirees covered under the

supplemental death benefit program;

- allow employers whose contribution rate was determined actuarially each year to elect a higher contribution rate of any percentage (as opposed to any whole-number percentage) above the required rate;
- require new retirees to receive pension payments by electronic funds transfer beginning with retirements after January 1, 2002, except for those who requested and were granted an exemption;
- give employers the option to correct enrollment or service-credit errors that were more than four years old;
- modify the penalty for late reporting or contributing and waive the penalty if the lateness or nonreceipt was the fault of the mail or delivery service used; and
- provide an annuity payment for the month in which an annuitant dies (current law provides for payment only through the month before the month in which death occurred).

The bill would move substantive provisions from definitions to the portion of the law reflecting the substantive issue; combine and simplify provisions; remove redundant provisions and eliminate obsolete provisions; and make changes to conform with applicable state and federal law.

This bill would take effect December 31, 2001, except for provisions on the composition of service credit and on penalties for late contributions, which would take effect September 1, 2001.

SUPPORTERS SAY:

SB 523 represents the recommendations of the TCDRS board of trustees, reflecting improvements requested by members and participating counties and districts. This bill would make TCDRS more user-friendly for each member and employer. The proposed changes have been publicized to the members and participating employers, and TCDRS has received no opposition to or questions about the bill.

OPPONENTS SAY:

No apparent opposition.

NOTES: According to the bill's fiscal note, most of the proposed changes would be voluntary and would affect participating counties and districts only if they chose to adopt those provisions in their benefits. Other provisions would have no actuarial impact on the fund and no cost to the subdivisions.

The companion bill, HB 1242 by Kuempel, was considered in a public hearing by the House Pensions and Investments Committee on March 12 and left pending.