

- SUBJECT:** Changing TRS service credits, payments, and deposits
- COMMITTEE:** Pensions — favorable, without amendment
- VOTE:** 6 ayes — Flynn, Alonzo, Hefner, Huberty, Paul, J. Rodriguez
- 0 nays
- 1 absent — Anchia
- SENATE VOTE:** On final passage, April 19 — 31-0, on Local and Uncontested Calendar
- WITNESSES:** *On House companion bill, HB 4075:*  
For — (*Registered, but did not testify:* Timothy Lee, Texas Retired Teachers Association; Thomas Parkinson)
- Against — None
- On — Brian Guthrie, Teacher Retirement System
- BACKGROUND:** Government Code, sec. 823.403(a) allows members of the Texas Retirement System of Texas who retire based on service or a disability to claim service credit for accumulated personal or sick leave. Sections 823.403(c) and (d) allow members to convert their unused personal or sick leave into increased retirement benefits by paying for the credit based on rates adopted by the TRS board of trustees. Interested parties have observed that changes in service credit requirements could improve the efficient delivery of TRS benefits.
- DIGEST:** SB 1664 would revise service credit, payments, and deposits administered by the Teacher Retirement System of Texas (TRS).
- Service credit.** The bill would remove a provision establishing that an increase in an annuity payment for a TRS member's unused accumulated state personal or sick leave begins with the first payment due after employer certification and specified payment to TRS. Unless a member

declined to purchase service credit for personal or sick leave, an annuity payment could not begin until TRS was paid the full cost of the service credit. The bill would require TRS to receive the payment for service credit within 90 days after the date TRS issued a cost statement for the purchase of service credit. The bill would allow TRS to grant a member a one-time extension of no more than 30 days to complete the purchase of the service credit if the purchase was made by:

- a rollover distribution from another eligible retirement plan; or
- a direct trustee-to-trustee transfer of funds.

A member who failed to purchase the service credit within the prescribed timeframe could:

- decline to purchase service credit and maintain the member's effective date of retirement; or
- revoke the member's retirement and select a later retirement date that provided the member with sufficient time to complete the service credit purchase.

The bill would amend the deadline by which a member applying for service credit could reinstate withdrawn contributions, make deposits for military service and equivalent membership service, and receive service credit to be:

- no later than two months after the later of the member's retirement date or the last day of the month in which the member submitted a retirement application; and
- before the later of the due date for the member's first monthly annuity payment or the date on which TRS issued the first monthly annuity payment to the member.

**Payments.** The bill would amend the deadline by which payments for military service, out-of-state service, developmental leave, work experience in a career or technological field, and service transferred to TRS from the Employees Retirement System of Texas would have to be

completed to be:

- no later than two months after the later of the member's retirement date or the last day of the month in which the member submitted a retirement application; and
- before the later of the due date for the member's first monthly annuity payment or the date on which TRS issued the first monthly annuity payment to the member.

**Deposits.** The bill would require TRS to deposit in the individual account of a member's saving account the portion of a deposit to establish Uniformed Services Employment and Reemployment Rights Act credit, among other deposits specified in the bill.

**Contributions.** By November 2 of each even-numbered year, the bill would require the Texas Higher Education Coordinating Board, rather than the TRS board of trustees, to certify to the comptroller for review and adoption an estimate of the amount necessary to pay the state's contributions to TRS for the following biennium.

**Other provisions.** When determining whether an individual was an employee or independent contractor of an employer, TRS would be required to use the test applied under common law and any guidance issued by the Internal Revenue Service.

The bill would take effect September 1, 2017.

**NOTES:**

A companion bill, HB 4075 by Flynn, was left pending in the House Committee on Pensions on May 1.