

SUBJECT: Providing an increasing annuity option for ERS retirement

COMMITTEE: Pensions, Investments & Financial Services — committee substitute recommended

VOTE: 7 ayes — Capriglione, Bhojani, Bryant, Leo-Wilson, Plesa, VanDeaver, Vo
0 nays
2 absent — Lambert, Frazier

WITNESSES: For — Ann Bishop, TPEA; Bill Hamilton
Against — None
On — (*Registered, but did not testify*: Robin Hardaway, Employees Retirement System of Texas)

BACKGROUND: Government Code sec. 811.001 defines "annuity" as an amount of money payable in monthly installments for a guaranteed period or for life.
Government Code ch. 814 establishes the types of benefits payable by the Employees Retirement System of Texas (ERS), including a standard retirement annuity and an optional retirement annuity.
Some have suggested that, rather than maintaining the current fixed payments for available annuity options, ERS retirees would benefit from an annuity option that increases each year.

DIGEST: **Eligibility.** CSHB 1393 would allow ERS members who were eligible for a service retirement annuity not reduced because of age to select their retirement annuity together with the option for an increasing annuity.
Function. ERS would provide the increasing annuity option by reducing the member's annuity for an appropriate implementation period that would

begin immediately after retirement. ERS then would increase annually the amount of the annuity by an established rate for each year during the applicable implementation period. The bill would require the calculation of a member's annuity to reflect the option selected and be actuarially equivalent to a standard or optional service retirement annuity, resulting in no actuarial loss to the retirement system.

The bill would authorize the ERS to develop other increasing annuity options, including those that differed in percentage rate of increase or implementation period.

Election. The increasing annuity option could be elected only once by a member and could not be elected by a retiree. Before a retiring member selected an increasing annuity option, ERS would be required to provide a written notice to the member regarding the amount by which the annuity would be reduced and the implementation period applicable.

The increased annuity option would not apply to a disability retirement annuity or an annuity based on service credited in the elected class. Members retiring under the proportionate retirement program also would not be eligible for the option.

Effect. The bill would take effect September 1, 2023. The bill would apply only to retirements occurring on or after January 1, 2024. The board of trustees of ERS would be authorized to adopt rules to implement the provisions of the bill.