

BILL ANALYSIS

Senate Research Center

H.B. 3642
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State Affairs
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Engrossed

DIGEST

Currently, if a state employee who is a member of the Employees Retirement System of Texas (ERS) resigns before reaching retirement age and does not plan to return to work for the state, the employee is entitled to a refund of personal contributions made to ERS, plus interest that accumulates on a monthly basis. The Teacher Retirement System of Texas (TRS), however, credits interest to a member's account at the end of each fiscal year. A member of TRS who resigns before reaching retirement age and who receives a refund of contributions will lose accumulated interest on those contributions that were made from the beginning of that fiscal year. Additionally, a member of TRS must submit a waiver of benefits with a notary seal before receiving a refund of contributions. H.B. 3642 provides that interest is credited to a member's account from the beginning of the fiscal year until the last day of the month preceding the month of the member's termination of membership in TRS. In this way, a member who resigns before retirement is able to receive a refund of all accumulated contributions plus up-to-date interest earnings. This bill also eliminates the requirement for a notary seal on a waiver of benefits issued by a resigning employee and requires TRS to track contribution withdrawals and to compile an annual statistical analysis of the withdrawals.

PURPOSE

As proposed, H.B. 3642 revises certain administrative procedures of the Teacher Retirement System of Texas.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 822.005, Government Code, by adding Subsection (d), to require the Teacher Retirement System of Texas (TRS) to adopt procedures to track and compile information of all applications filed under this section (Withdrawal of Contributions) from the time an application is made until any warrant for the refund is issued by TRS.

SECTION 2. Amends Section 824.004, Government Code, by adding Subsection(e), to prohibit TRS from requiring a person to submit a sworn affidavit or to obtain a seal in order to receive the persons's accumulated contributions if the person is filing a waiver of retirement benefits.

SECTION 3. Amends Section 825.307, Government Code, as follows:

Sec. 825.307. MEMBER SAVINGS ACCOUNT. (a) Makes a conforming change.

(b) Provides that interest on a member's contribution is earned monthly and computed at the rate of five percent a year. Establishes that interest is credited based on the mean balance in the member's account during that fiscal year and requires it to be credited on August 31 of each year, except as provided by Subsection (c).

(c) Provides that if a person's membership in TRS is terminated during a fiscal year, the interest on the member's account is computed based on the mean balance in the member's account from September 1 of the fiscal year until the last day of the month that preceded the month in which the membership termination occurred if the termination was caused by the member's death or withdrawal of contributions. Provides that the interest is computed from September 1 of the fiscal

year until the effective date of retirement if membership termination was caused by retirement. (d)
Created from existing text.

SECTION 4. Amends Section 825.309(a), Government Code, to make a conforming change.

SECTION 5. Amends Section 825.312(a), Government Code, to make a conforming change.

SECTION 6. Amends Section 825.313, Government Code, to require TRS to transfer from the interest account to the member savings account an amount computed using the rate of five percent a year on the average balance in the account during the preceding fiscal year. Requires TRS to transfer from the interest account to the member savings account an amount computed under Section 825.307(b) on August 31 of each year, unless membership is terminated in that fiscal year. Requires TRS to transfer from the interest account to the member savings account an amount computed under Section 825.307(c) if membership is terminated during the fiscal year. Redesignates Subsection (a)(3) to (a)(2). Makes conforming changes.

SECTION 7. Amends Section 825.314(b), Government Code, to make a conforming change.

SECTION 8. Amends Section 825.407(f), Government Code, to make a conforming change.

SECTION 9. Amends Section 825.408(a), Government Code, to make a conforming change.

SECTION 10. Amends Subchapter F, Chapter 825, Government Code, by adding Section 825.518, as follows:

Sec. 825.518. ANNUAL REPORT. Requires TRS to submit a statistical analysis based on information under Section 822.005(d) to the governor, lieutenant governor, speaker of the house of representatives, executive director of the State Pension Review Board, the appropriate oversight committees of the house and senate, and the Legislative Budget Board. Requires TRS to submit the analysis not later than the 25th day of the month following the end of each fiscal year.

SECTION 11. Amends Section 803.203(f), Government Code, to make a conforming change.

SECTION 12. Effective date: September 1, 1999.
Makes application of this Act prospective.

SECTION 13. Emergency clause.