

BILL ANALYSIS

Senate Research Center
76R3978 GCH-D

S.B. 1128
By: Armbrister
State Affairs
3/31/1999
As Filed

DIGEST

Currently, the Teacher Retirement System of Texas stipulates certain provisions, including financial conditions of membership. This bill would set forth revised guidelines for the administration of systems and programs of the Teacher Retirement System of Texas

PURPOSE

As proposed, S.B. 1128 sets forth guidelines for the administration of systems and programs of the Teacher Retirement System of Texas.

RULEMAKING AUTHORITY

Rulemaking authority is granted to Teacher Retirement System of Texas in SECTIONS 2 and 22 (Section 822.0025(c), Chapter 822A, Government Code, and Section 3(a), Article 3.50-4A, Chapter 3E, Insurance Code) and to the board of trustees of the Teacher Retirement System of Texas in SECTION 10 (Section 824.2045(g), Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 822.002(a), Government Code, to provide that a public school employee is not permitted to be a member of the Teacher Retirement System of Texas (TRS) if the person participates in the optional retirement program under Chapter 830 (optional program) except as provided by Section 822.0025.

SECTION 2. Authorizes a participant in the optional program to make a one-time decision to become a member of TRS. Authorizes a contributing member of TRS who holds a position included in the coverage of the optional program to make a one-time decision to cease participation in TRS and begin participation in the optional program. Requires TRS to prescribe the form and details of an election under this section which is required to be filed with TRS and the institution of higher education which employs the person. Authorizes TRS to adopt rules for the implementation of the election, including rules regarding contract violations and simultaneous credit.

SECTION 3. Amends Chapter 823C, Government Code, by adding Section 823.203, as follows:

Sec. 823.203. MEMBERSHIP SERVICE FOR OPTIONAL RETIREMENT PROGRAM.
Prohibits a member from establishing service credit in TRS for any period when the member was participating in the optional program.

SECTION 4. Amends Sections 823.501(b) and (f), Government Code, to provide that a member, rather than contributing member, of TRS at the time service is reinstated is eligible to reinstate service credit under this section. Makes conforming changes.

SECTION 5. Amends Section 824.101(c), Government Code, to prohibit a designation of beneficiary from being made, except as provided by Section 824.1013.

SECTION 6. Amends Section 824.1011(a), Government Code, to authorize a person who marries after retirement to replace the annuity by selecting an optional retirement annuity and designating the person's spouse as beneficiary before the second, rather than first, anniversary of marriage.

SECTION 7. Redesignates Section 824.1012, Government Code, as added by Chapter 1416, Acts of the

75th Legislature, Regular Session, 1997, as Section 824.1013, as follows:

Sec. 824.1013. CHANGE OF BENEFICIARY AFTER RETIREMENT. Redesignated from previous Section 824.1012.

SECTION 8. Amends Section 824.202, Government Code, by adding Subsection (g), as follows:

(g) Requires TRS to consider service performed in this state as a participant in the optional program as if it were service for which credit is established in TRS, for the purpose of determining eligibility to receive service retirement annuity.

SECTION 9. Amends Sections 824.203(a) and (e), Government Code, to provide that the standard service retirement annuity is computed on the basis of the member's average annual compensation three years of service times 2.1, rather than two, percent for each year of service credit in TRS whether consecutive or not. Makes a conforming change.

SECTION 10. Amends Chapter 824C, Government Code, by adding Section 824.2045, as follows:

Sec. 824.2045. PARTIAL LUMP-SUM OPTION. Authorizes a member who is eligible for an unreduced service retirement annuity and is not participating in the deferred retirement option plan under Subchapter I to select a standard service retirement annuity or an optional service retirement annuity described by Section 824.204, together with a partial lump-sum distribution. Prohibits the amount of the lump-sum distribution from exceeding the sum of 36 months of a standard service retirement annuity computed without regard to this section. Requires the service retirement annuity selected by the member to be actuarially reduced to reflect the lump-sum option and is required to be actuarially equivalent to a standard or optional service retirement annuity without the partial lump-sum distribution. Requires the annuity and lump-sum to be computed to result in no actuarial loss to TRS. Authorizes the retiring member to choose a lump sum equal to 12 months of standard service retirement annuity and payable at the same time that the first monthly payment of the annuity is paid, a lump sum equal to 24 months of standard annuity payable in one or two annual payments, or a lump sum equal to 36 months of a standard annuity and payable in one, two, or three annual payments. Provides that the amount of the lump-sum distribution will be deducted from any amounts payable under Section 824.503. Authorizes the partial lump-sum option under this section to be elected only once and prohibits an election by a retiree. Provides that a member retiring under the proportionate retirement program under Chapter 803 is not eligible for the partial lump-sum option. Authorizes the board appointed under this subtitle to administer TRS (TRS board) to adopt rules for the implementation of this section.

SECTION 11. Amends Section 824.304, Government Code, by adding Subsection (e) as follows:

(e) Requires TRS to consider service performed in this state as a participant in the optional program as if it were service for which credit is established in TRS, for the purpose of determining eligibility to receive disability retirement annuity.

SECTION 12. Amends Sections 824.602(a) and (d), Government Code, to prohibit TRS from withholding a monthly benefit payment if the retiree is employed in a Texas public educational institution on a full-time basis if the work occurs in not more than six months of a school year that begins after the retiree's date of retirement. Provides that a retiree to whom Subsection (a)(3) applies is not eligible for any other exceptions to loss of benefits during that school year, rather than a retiree who has elected to avoid loss of monthly benefits in a school year. Requires TRS to include previous employment in determining whether the retiree has exceeded six months of employment if a retiree is employed under, rather than elects, the exemption provided in Subsection (a)(3). Deletes provisions regarding employment circumstances which prohibit TRS from withholding monthly benefit payments. Makes a conforming change.

SECTION 13. Amends Section 824.802(a), Government Code, to authorize a certain contributing member to elect to participate in the deferred retirement option plan before September 1, 1999.

SECTION 14. Amends Section 824.805, Government Code, to provide that participation in a plan is terminated by certain circumstances, except as provided by Subsection (b). Authorizes a member participating in the plan on September 1, 1999 to elect to discontinue participation on a certain form before

September 1, 2000. Makes a conforming change.

SECTION 15. Amends Section 825.405(c), Government Code, to require employers to monthly report to TRS on a certain form regarding the total amount of salary paid and total amount of employer contributions due, and retain certain information for each employee as determined by TRS. Deletes provision regarding an employer's form.

SECTION 16. Amends Section 825.406(c), Government Code, to require employers to monthly report in a certain form a certification of the total amount of salary paid from federal funds and private grants and the total amounts provided by the funds and grants for state contributions, and requires employers to retain certain information. Makes conforming changes.

SECTION 17. Amends Section 825.407(c), Government Code, to require certain designated disbursing officers to submit a certification of the total amount of salary paid from noneducational and general funds and the total amount of employer contributions due under this section, and retain certain information. Deletes provision regarding a certification of employer contributions. Makes conforming changes.

SECTION 18. Amends Section 825.408(a), Government Code, to require an employee district to pay undocumented amounts if the district fails to remit documentation of deposits required by this subchapter.

SECTION 19. Amends Section 825.515, Government Code, to require TRS to maintain records identifying types of positions held by members. Requires types of positions to be identified a certain way. Deletes provision regarding certain information as to records required to be kept. Deletes provision regarding cooperation with the commissioner of education. Deletes provision requiring TRS to provide information to the commissioner of education. Makes conforming changes.

SECTION 20. Amends Sections 825.516(a) and (b), Government Code, to authorize retiree to request TRS to withhold certain membership dues for a statewide association whose membership includes at least five percent of all retirees of TRS. Authorizes TRS to make requested deductions until certain situations arise.

SECTION 21. Amends Section 16A(d), Article 3.50-4, Insurance Code, to require employers to report a certification of the total amount of salary paid from federal funds and private grants and the total amounts provided by the funds and grants for state contributions for employees, and retain the name of each employee, rather than the designation as active employee, and other certain information. Makes conforming changes.

SECTION 22. Amends Chapter 3E, Insurance Code, by adding Article 3.50-4A, as follows:

Sec. 1. DEFINITIONS. Defines "employee," "retiree," and "trustee."

Sec. 2. INSURANCE COVERAGE. Requires TRS to contract with authorized life insurance carriers to offer employees and retirees optional permanent life coverage. Requires TRS to contract with carriers authorized to provide long-term health care insurance to offer employees and retirees optional long-term coverage which is required to cover home, community and institutional care. Requires TRS to contract with carriers authorized to provide disability insurance to offer employees optional insurance against loss of salary because of disability. Subjects a contract under this section to competitive bidding. Requires insurance coverage to be made available during certain periods.

Sec. 3. ADMINISTRATION. Requires TRS to adopt rules for the selection of contractors which are required to perform certain tasks and account for certain premiums. Authorizes TRS to adopt rules necessary for the administration of the program.

Sec. 4. PARTICIPATION IN COVERAGE. Requires TRS to offer coverages to employees through employers and to retirees through the administration of TRS. Provides that the full costs of premiums are the responsibility of the enrollees. Requires a participating employee to pay premiums by payroll deduction in a manner provided by TRS. Requires a participating retiree to pay premiums by deduction from monthly retirement annuity.

Sec. 5. SCHOOL DISTRICT EMPLOYEES AND RETIREES OPTIONAL INSURANCE

TRUST FUND. Provides that the school district employees and retirees optional insurance trust fund (fund) is created outside the state treasury to be held by the Texas Treasury Safekeeping Trust Company and administered by TRS. Requires premiums, amounts recovered under contracts, and investment and depository income to be credited to the fund. Authorizes money in the fund to be used only for the certain purposes. Authorizes TRS to invest the fund in a certain manner.

SECTION 23. Amends Chapter 609B, Government Code, by adding Section 609.1015, as follows:

Sec. 609.1015. CREATION OF PLAN; PARTICIPATION. Requires the TRS board to establish a 457 plan for certain school district employees and to act as trustee and plan administrator of the plan. Requires TRS board to administer all aspects of the plan. Authorizes TRS board to designate a person to assist in the execution of TRS board's authority and responsibilities as plan administrator.

SECTION 24. Amends Section 22.004(c) and (d), Education Code, to require each district to report to the executive director of TRS no later than March, rather than November 1 of each even-numbered year, regarding the group health coverage plan in effect during the preceding plan year, rather than on November 1. Requires the executive director of TRS to submit a report to the legislator no later than September 1 of each even-numbered year, rather than January 1 of each odd-numbered year.

SECTION 25. Sets forth a formula for increases in monthly payments of a death or retirement benefit annuity by TRS.

SECTION 26. Authorizes a certain person to replace the annuity by selecting an optional annuity and designating a certain person as beneficiary before September 1, 2000, if the person has married after the effective date of this Act. Authorizes a certain person who retired before September 1, 1992, to replace the annuity by selecting an optional annuity before September 1, 2001. Requires an optional annuity to be actuarially reduced based on certain factors.

SECTION 27. Effective date: September 1, 1999.

SECTION 28. Emergency clause.