

BILL ANALYSIS

Senate Research Center
79S30469 DLF-D

S.B. 13
By: Duncan
Finance
4/20/2006
As Filed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

The Teacher Retirement System of Texas was established in 1937 and provides retirement benefits, group health insurance, and death, survivor, and disability benefits for employees of public school districts and institutions of higher education.

The pension fund that supports the payment of retirement benefits currently has an infinite funding period, referring to the necessary amortization period for assets to fund liabilities. Since the fund has been actuarially unsound since 2002, several changes were made to the benefit structure during the 79th Legislature, Regular Session, 2005, to improve its actuarial condition. Even with these changes, the fund is not expected to support any benefit increases until the next decade.

The Texas Constitution specifies that the state must contribute between six percent and 10 percent of total TRS-related payroll to the TRS pension fund. Since the 1996-97 biennium, the state has contributed the constitutional six percent minimum.

As proposed, S.B. 13 makes an additional appropriation to the Teacher Retirement System of Texas for the fiscal year beginning September 1, 2006, for the purpose of making retirement contributions for public education employees. This contribution will increase the state's contribution by \$50 million in fiscal year 2007, raising the contribution rate to 6.22 percent.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Appropriates out of the general revenue fund to the Teacher Retirement System of Texas for the fiscal year beginning September 1, 2006, for the purpose of making retirement contributions for public education employees, in addition to the estimated amounts appropriated for that purpose by S.B. No. 1, Acts of the 79th Legislature, Regular Session, 2005, the additional amount of \$50 million.

SECTION 2. Provides that the amount specified in Section 1 of this Act is based on an estimated state contribution of 6.22 percent of payroll for fiscal year 2006-2007.

SECTION 3. Effective date: upon passage or the 91st day after adjournment.