

## **BILL ANALYSIS**

Senate Research Center  
85R19917 TSR-F

C.S.S.B. 1664  
By: Huffman  
State Affairs  
4/3/2017  
Committee Report (Substituted)

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The Teacher Retirement System of Texas (TRS) delivers retirement and related benefits as authorized by law for TRS members and their beneficiaries. In order to comply with fiduciary standards, funds held in the TRS trust must be used exclusively for the benefit of members. This bill provides for technical and clarifying changes to laws regulating TRS so that TRS can efficiently deliver benefits. (Original Author's / Sponsor's Statement of Intent)

C.S.S.B. 1664 amends current law relating to contributions to, benefits from, membership in, and the administration of systems and programs administered by the Teacher Retirement System of Texas.

### **RULEMAKING AUTHORITY**

Rulemaking authority previously granted to the board of trustees of the Teacher Retirement System of Texas is rescinded in SECTION 1 (Section 22.004, Education Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Sections 22.004(b) and (d), Education Code, as follows:

(b) Requires certain factors to be considered in determining whether a school district's health coverage is comparable to specified basic health coverage. Deletes existing text requiring the board of trustees (board) of the Teacher Retirement System of Texas (TRS) to adopt rules to determine whether a school district's group health coverage is comparable to the basic health care coverage specified by this subsection, and deletes existing text requiring the rules to provide for the consideration of certain factors concerning the district's coverage.

(d) Requires each district that does not participate in the program described by Subsection (a) (relating to requiring a district to participate in the uniform group coverage program) to prepare a report addressing the district's compliance with this section. Requires the report to include certain information, including information concerning the ease of completing the report. Deletes existing text requiring each district to report the district's compliance with this section to the executive director of TRS (executive director) not later than March 1 of each even-numbered year in the manner required by the board of TRS, and deletes existing text requiring the report to include information concerning the ease of completing the report, as required by the executive director and any other information considered appropriate by the executive director. Makes nonsubstantive changes.

SECTION 2. Amends Subchapter A, Chapter 821, Government Code, by adding Section 821.0011, as follows:

Sec. 821.0011. DETERMINATION OF EMPLOYEE OR INDEPENDENT CONTRACT OR STATUS. Requires TRS, in determining whether an individual is an employee or independent contractor of an employer, to use the test applied under common law and any guidance issued by the Internal Revenue Service regarding factors to consider when determining an individual's employment status.

SECTION 3. Amends Section 822.201(b), Government Code, to redefine "salary and wages."

SECTION 4. Amends Section 823.004(a), Government Code, as follows:

(a) Requires payments for service described by this section to be completed not later than two calendar months after the later of the member's retirement date or the last day of the month in which the member submits 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 issues the first monthly annuity payment to the member.

SECTION 5. Amends Section 823.403, Government Code, by amending Subsections (c) and (d) and adding Subsection (d-1), as follows:

(c) Prohibits an annuity payment, unless a member declines to purchase service credit under this section, from beginning until TRS is paid the full cost of the service credit. Deletes existing text providing that the increase in the annuity payment begins with the first payment that becomes due after certification and payment.

(d) Requires TRS, except as provided by this subsection, to receive the payment for service credit under this section not later than the 90th day after the date TRS issues a cost statement for the purchase of service credit under this section. Authorizes TRS to grant a member a one-time extension of not more than 30 days to complete the purchase of the service credit if the purchase is made by:

(1) a rollover distribution from another eligible retirement plan; or

(2) a direct trustee-to-trustee transfer of funds from an eligible deferred compensation plan described by Section 457(b), Internal Revenue Code of 1986, that is maintained by an eligible governmental employer or an annuity contract described by Section 403(b), Internal Revenue Code of 1986, that is purchased under a governmental plan.

(d-1) Authorizes a member who fails to make the payment described by Subsection (d) within the time prescribed by that subsection to:

(1) decline to purchase service credit under this section and maintain the member's effective date of retirement; or

(2) revoke the member's retirement as provided by Section 824.005(a) (relating to a retired person revoking that retirement) and select a later retirement date that provides the member with sufficient time to complete the purchase of the service credit under this section.

SECTION 6. Amends Sections 824.002(e) and (f), Government Code, as follows:

(e) Authorizes a member applying for service retirement, except as provided by Section 823.403(d), if applicable, not later than certain dates, and before the later of the due date for the first monthly annuity payment or the date on which TRS issues the first monthly annuity payment, to, after providing notice to TRS, reinstate withdrawn contributions, make deposits for military service and equivalent membership service, and receive service credit as provided by this subtitle (Teacher Retirement System of Texas).

(f) Prohibits an effective retirement date from being changed after it is established except by revocation of retirement under Section 824.005 (Revocation of Retirement), rather than retirement under Section 824.005 and retirement at a later date.

SECTION 7. Amends Section 825.307(a), Government Code, as follows:

(a) Requires TRS to deposit in a member's individual account in the member savings account:

(1) to (4) makes no changes to these subdivisions;

(5) the portion of a deposit to establish USERRA credit required by Section 823.304(c) (relating to a person establishing USERRA credit by taking certain action with TRS);

(6) redesignates existing Subdivision (5) as Subdivision (6). The portion of a deposit to establish equivalent membership service credit required by Section 823.401(d) (relating to a member establishing credit for out-of-state service by taking certain action with TRS), 823.402(e) (relating to a member establishing credit for development leave by taking certain actions with TRS), rather than 823.402(e)(1) or (e)(2), 823.403(d) (relating to a member receiving credit for accumulated person or sick leave by taking certain actions with TRS), 823.404(c) (relating to a career or technology teacher establishing credit by taking certain action with TRS), or 823.406(b) (relating to a member establishing credit for certain service by taking certain actions with TRS) or former Section 823.405; or unreported service credit or compensation required by section 825.403(h) (relating to certain procedures to verify a member's contributions); and

(7) redesignates existing Subdivision (6) as Subdivision (7) and makes no further changes to this subdivision.

SECTION 8. Amends Section 825.509(b-1), Government Code, as follows:

(b-1) Authorizes a certain eligible portion of a rollover distribution to be transferred only:

(1) and (2) makes no changes to these subdivisions;

(3) for distributions occurring on or after January 1, 2007, to a qualified plan described by Section 401(a), Internal Revenue Code of 1986, if the plan agrees to separately account for the amounts transferred and the earnings on the amounts transferred; and the portion of the distribution that is includable in gross income and the portion of the distribution that is not includable in gross income; or

(4) makes no change to this subdivision.

SECTION 9. Amends Section 830.201(h), Government Code, as follows:

(h) Requires the Texas Higher Education Coordinating Board, rather than the board, before November 2 of each even-numbered year, in coordination with the Legislative Budget Board, to certify to the Texas comptroller of public accounts for review and adoption an estimate of the amount necessary to pay the state's contributions to TRS for the following biennium. Makes conforming changes.

SECTION 10. Effective date: September 1, 2017.