

BILL ANALYSIS

Senate Research Center
86R17051 TSR-F

C.S.S.B. 12
By: Huffman et al.
State Affairs
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Teacher Retirement System of Texas (TRS) provides retirement benefits to over 420,000 people. Currently, the amortization period for the TRS pension fund is approximately 87 years and the unfunded liability is nearly \$47 billion.

S.B. 12 would increase the state, required district, and active public school employees' pension contributions over a six-year period. It also provides a one-time additional payment to all TRS retirees. As a result of S.B. 12, the pension fund's unfunded liability and funding period is lowered drastically. (Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 12 amends current law relating to the contributions to the Teacher Retirement System of Texas.

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. Amends Section 825.402, Government Code, as follows:

Sec. 825.402. RATE OF MEMBER CONTRIBUTIONS. Provides that the rate of contributions for each member of the Teacher Retirement System of Texas (TRS) is:

(1)–(7) makes no changes to these subdivisions;

(8) makes a nonsubstantive change to this subdivision;

(9) for compensation paid on or after September 1, 2017, and before September 1, 2019, rather than for service rendered on or after September 1, 2017, the lesser of:

(A) makes no changes to this paragraph; or

(B) a percentage of the member's annual compensation equal to 7.7 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the compensation, rather than service, relates is less than the state contribution rate established for the 2015 fiscal year;

(10) for compensation paid on or after September 1, 2019, and before September 1, 2021, the lesser of:

(A) 7.7 percent of the member's annual compensation; or

(B) a percentage of the member's annual compensation equal to 7.7 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the

compensation relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2);

(11) for compensation paid on or after September 1, 2021, but before September 1, 2023, the lesser of:

(A) eight percent of the member's annual compensation; or

(B) a percentage of the member's annual compensation equal to eight percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the compensation relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2); and

(12) for compensation paid on or after September 1, 2023, the lesser of:

(A) 8.25 percent of the member's annual compensation; or

(B) a percentage of the member's annual compensation equal to 8.25 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the service relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2).

SECTION 2. Amends Section 825.4035, Government Code, by amending Subsections (b) and (c) and adding Subsection (e), as follows:

(b) Requires the employer, except as provided in Subsection (c), for each member the employer reports to TRS and for whom the employer is not making contributions to the federal Old-Age, Survivors, and Disability Insurance program, to contribute monthly to TRS for each such member:

(1) makes nonsubstantive changes to this subdivision;

(2) beginning with the report month for September 2015 and ending with the report month of August 2019, rather than beginning with the report month for September 2015, an amount equal to the lesser of:

(A) makes no changes to this paragraph; or

(B) makes a nonsubstantive change to this paragraph;

(3) beginning with the report month of September 2019 and ending with the report month of August 2020, an amount equal to the lesser of:

(A) 1.5 percent of the member's compensation; or

(B) a percentage of the member's compensation equal to 1.5 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the report month relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2); and

(4) beginning with the report month of September 2020 and for each subsequent report month, an amount equal to the lesser of:

(A) a percentage of the member's compensation equal to the rate of contribution provided for the applicable fiscal year under Subsection (e);
or

(B) a percentage of the member's compensation equal to the percentage provided by Paragraph (A) reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the report month relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2).

(c) Requires the employer, if a member is entitled to the minimum salary for certain school personnel under Section 21.402 (Minimum Salary Schedule for Certain Professional Staff), Education Code, or if a member would have been entitled to the minimum salary for certain school personnel under former Section 16.056, Education Code, as that section existed on January 1, 1995, to, in addition to any contributions required under Section 825.405 (Contributions Based on Compensation Above Statutory Minimum), contribute monthly to TRS for each such member:

(1) makes a nonsubstantive change to this subdivision;

(2) beginning with the report month for September 2015 and ending with the report month of August 2019, rather than beginning with the report month for September 2015, an amount equal to the lesser of certain amounts;

(3) beginning with the report month of September 2019 and ending with the report month of August 2020, an amount equal to the lesser of:

(A) 1.5 percent of the statutory minimum salary determined under Section 825.405(b) (relating to the statutory minimum salary for certain persons); or

(B) a percentage of the statutory minimum salary determined under Section 825.405(b) equal to 1.5 percent reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the report month relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2); and

(4) beginning with the report month of September 2020 and for each subsequent report month, an amount equal to the lesser of:

(A) a percentage of the statutory minimum salary determined under Section 825.405(b) equal to the rate of contribution provided for the applicable fiscal year under Subsection (e); or

(B) a percentage of the statutory minimum salary determined under Section 825.405(b) equal to the percentage provided by Paragraph (A) reduced by one-tenth of one percent for each one-tenth of one percent that the state contribution rate for the fiscal year to which the report month relates is less than the state contribution rate established for that fiscal year under Section 825.404(a-2).

(e) Provides that for purposes of Subsections (b)(4)(A) and (c)(4)(A), the rate of contribution is:

(1) 1.6 percent beginning with the report month of September 2020 and ending with the report month of August 2021;

(2) 1.7 percent beginning with the report month of September 2021 and ending with the report month of August 2022;

(3) 1.8 percent beginning with the report month of September 2022 and ending with the report month of August 2023;

(4) 1.9 percent beginning with the report month of September 2023 and ending with the report month of August 2024; and

(5) two percent beginning with the report month of September 2024 and for each subsequent report month.

SECTION 3. Amends Section 825.404, Government Code, by amending Subsections (a) and (a-1) and adding Subsection (a-2), as follows:

(a) Requires the state, except as provided by Subsection (a-1) and subject to Subsection (a-2), during each fiscal year, to contribute to TRS an amount equal to at least six and not more than 10 percent of the aggregate annual compensation of all members of TRS during that fiscal year.

(a-1) Requires that, in computing the amount owed by the state under this section, rather than under Subsection (a), the compensation of members who are employed by public junior colleges or public junior college districts be included in the aggregate annual compensation in a certain order.

(a-2) Provides that the state contribution required by Subsection (a) is:

(1) for the fiscal year beginning on September 1, 2019, 7.25 percent of the aggregate annual compensation of all members of TRS during that fiscal year;

(2) for the fiscal year beginning on September 1, 2020, 7.5 percent of the aggregate annual compensation of all members of TRS during that fiscal year;

(3) for the fiscal year beginning on September 1, 2021, 7.75 percent of the aggregate annual compensation of all members of TRS during that fiscal year;

(4) for the fiscal year beginning on September 1, 2022, eight percent of the aggregate annual compensation of all members of TRS during that fiscal year; and

(5) for the fiscal year beginning on September 1, 2023, and each subsequent fiscal year, 8.25 percent of the aggregate annual compensation of all members of TRS during that fiscal year.

SECTION 4. (a) Requires TRS to make a one-time supplemental payment of a retirement or death benefit, as provided by this section.

(b) Provides that the supplemental payment is payable not earlier than the first calendar month after the calendar month in which the state transfers to TRS the amount described by Subsection (i) of this section. Requires TRS, to the extent practicable, to issue the supplemental payment on a date or dates that coincide with the regular annuity payment payable to each eligible annuitant.

(c) Provides that the amount of the supplemental payment is equal to the lesser of the gross amount of the regular annuity payment to which the eligible annuitant is otherwise entitled for the calendar month immediately prior to the calendar month in which TRS issues the one-time supplemental payment in accordance with Subsection (b) of this section or \$500.

(d) Provides that the supplemental payment is payable without regard to any forfeiture of benefits under Section 824.601 (Loss of Monthly Benefits), Government Code. Requires TRS to make applicable tax withholding and other legally required deductions before disbursing the supplemental payment. Provides that a supplemental payment under this section is in addition to and not in lieu of the regular monthly annuity payment to which the eligible annuitant is otherwise entitled.

(e) Requires a person, subject to Subsection (f) of this section, to be eligible for the supplemental payment, to be, for the calendar month immediately prior to the calendar month in which the TRS issues the one-time supplemental payment in accordance with Subsection (b) of this section, and disregarding any forfeiture of benefits under Section 824.601, Government Code, an annuitant eligible to receive:

- (1) a standard retirement annuity payment;
- (2) an optional retirement annuity payment as either a retiree or beneficiary;
- (3) a life annuity payment under Section 824.402(a)(4) (relating to conditions for an optional retirement annuity), Government Code;
- (4) an annuity for a guaranteed period of 60 months under Section 824.402(a)(3) (relating to conditions for when 60 monthly payments of a standard service annuity are paid), Government Code; or
- (5) an alternate payee annuity payment under Section 804.005 (Payment in Certain Circumstances in Lieu of Benefits Awarded by Qualified Domestic Relations Order), Government Code.

(f) Requires the effective date of the retirement of the member of TRS, if the annuitant is a retiree or a beneficiary under an optional retirement payment plan, to be eligible for the supplemental payment, to have been on or before December 31, 2018. Requires the date of death of the member of TRS, if the annuitant is a beneficiary under Section 824.402(a)(3) or (4), Government Code, to be eligible for the supplemental payment, to have been on or before December 31, 2018. Requires the supplemental payment to be made to an alternate payee who is an annuitant under Section 804.005, Government Code, only if the annuity payment to the alternate payee commenced on or before December 31, 2018. Provides that the supplemental payment is in addition to the guaranteed number of payments under Section 824.204(c)(3) (relating to procedures if the retiree dies before 60 monthly annuity payments have been made) or (4) (relating to procedures if the retiree dies before 120 monthly annuity payments have been made), Sections 824.308(c)(3) (relating to procedures if the retiree dies before 60 monthly annuity payments have been made) or (4) (relating to procedures if the retiree dies before 120 monthly annuity payments have been made), or Section 824.402(a)(3), Government Code, and is prohibited from being counted as one of the guaranteed monthly payments.

(g) Provides that the supplemental payment does not apply to payments under:

- (1) Section 824.304(a) (relating to payment to members with less than 10 years of service credit), Government Code, relating to disability retirees with less than 10 years of service credit;
- (2) Section 824.804(b) (relating to entitlements of a member who has participated in the plan upon retirement from TRS), Government Code, relating to participants in the deferred retirement option plan with regard to payments from their deferred retirement option plan accounts;
- (3) Section 824.501(a) (relating to a lump-sum payment to be made if the designated beneficiary of a service or disability retiree dies under certain conditions), Government Code, relating to retiree survivor beneficiaries who receive a survivor annuity in an amount fixed by statute; or
- (4) Section 824.404(a) (relating to a lump-sum payment if the designated beneficiary of a member dies under certain conditions), Government Code, relating to active member survivor beneficiaries who receive a survivor annuity in an amount fixed by statute.

(h) Requires the board of trustees of TRS, subject to the requirements of this section, to determine the eligibility for and the amount and timing of a supplemental payment and the manner in which the payment is made.

(i) Requires the state to appropriate to TRS an amount equal to the cost of the one-time supplemental payment required by this section. Provides that this amount is in addition to the amount the state is required to contribute to TRS under Section 825.404 (Collection of State Contributions), Government Code. Prohibits TRS, if the state does not transfer the appropriated amount described by this subsection, from issuing the one-time supplemental payment required by this section.

SECTION 5. Effective date: September 1, 2019.