

BILL ANALYSIS

Senate Research Center
88R18865 JCG-D

H.B. 1393
By: Frank; Capriglione (Perry)
Finance
5/5/2023
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Concerns have been raised by some Employees Retirement System of Texas (ERS) retirees that all of the currently available annuity options are fixed payments. Some retirees would benefit from having the option to select an annuity that increases each year.

H.B. 1393 seeks to give certain eligible ERS members the option to select an annuity that is reduced at the beginning of their retirement but gradually increases over time.

H.B. 1393 amends current law relating to an optional service retirement annuity that provides an increasing annuity under the Employees Retirement System of Texas.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the board of trustees of the Employees Retirement System of Texas in SECTION 1 (Section 814.110, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 814, Government Code, by adding Section 814.110, as follows:

Sec. 814.110. INCREASING ANNUITY OPTION. (a) Authorizes a member who is eligible for a service retirement annuity not reduced because of age to select a standard retirement annuity or an optional service retirement annuity described by Section 814.108 (Optional Service Retirement Benefits) together with the option for an increasing annuity as described by this section.

(b) Requires the Employees Retirement System of Texas (ERS) to provide the increasing annuity option by reducing the member's annuity for an appropriate implementation period beginning immediately after the member's retirement and annually increasing the amount of the annuity by two percent or by another percentage rate, as determined by ERS under Subsection (c), for each year during the applicable implementation period.

(c) Authorizes ERS to offer other increasing annuity options similar to the option described by Subsection (b), including increasing annuity options providing a different percentage rate of increase or a different implementation period.

(d) Requires that the member's annuity, if a member elects to receive an increasing annuity option under this section, be calculated to reflect the option selected and be actuarially equivalent to a standard or optional service retirement annuity, as applicable, that the member would have been entitled to had the member not elected to receive the option. Requires that the annuity be computed to result in no actuarial loss to ERS.

(e) Provides that the increasing annuity option under this section is authorized to be elected only once by a member and is prohibited from being elected by a retiree. Provides that a member retiring under the proportionate retirement

program under Chapter 803 (Proportionate Retirement Program) is not eligible for the option.

(f) Provides that this section does not apply to:

(1) a disability retirement annuity; or

(2) an annuity based on service credited in the elected class.

(g) Requires ERS to provide a written notice to the member of the amount by which the member's annuity will be reduced and the implementation period applicable because of that selection, before a retiring member selects an increasing annuity option under this section. Requires ERS to maintain a copy of the notice required under this subsection that is signed by the member.

(h) Authorizes the board of trustees of ERS to adopt rules for the implementation of this section.

SECTION 2. Makes application of Section 814.110, Government Code, as added by this Act, prospective to January 1, 2024.

SECTION 3. Effective date: September 1, 2023.