

BILL ANALYSIS

Senate Research Center

S.B. 10
By: Huffman et al.
Finance
6/13/2023
Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Teacher Retirement System of Texas (TRS) provides retirement benefits to nearly 476,000 people. Currently, the amortization period for the TRS pension fund is approximately 28 years and the unfunded liability is nearly \$54.4 billion.

S.B. 10 would provide a one-time additional payment to eligible TRS retirees who are at least 75 years old. Additionally, it would provide for a cost-of-living adjustment to eligible retirees who retired prior to December 31, 2021.

(Original Author's/Sponsor's Statement of Intent)

S.B. 10 amends current law relating to certain benefits paid by 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 Subchapter H, Chapter 824, Government Code, by adding Section 824.703, as follows:

Sec. 824.703. COST-OF-LIVING ADJUSTMENT: JANUARY 2024. (a) Requires the Teacher Retirement System of Texas (TRS) to make a one-time cost-of-living adjustment payable to annuitants receiving a monthly death or retirement benefit annuity, as provided by this section.

(b) Requires a person, subject to Subsection (c) and except as provided by Subsection (d), to be eligible for the adjustment, to be, on the effective date of the adjustment and disregarding any forfeiture of benefits under Section 824.601 (Loss of Monthly Benefits), an annuitant eligible to receive:

(1) a standard service or disability retirement annuity payment;

(2) an optional service or disability retirement annuity payment as either a retiree or beneficiary;

(3) an annuity payment under Section 824.402(a)(3) (relating to providing that the designated beneficiary of a member who dies during a school year in which the member has performed service is eligible to receive at the beneficiary's election 60 monthly payments of a standard service retirement annuity) or (4) (relating to providing that the designated beneficiary of a member who dies during a school year in which the member has performed service is eligible to receive at the beneficiary's election an optional retirement annuity for the designated beneficiary's life);

(4) an annuity payment under Section 824.502 (Benefits on Death of Disability Retiree); 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).

(c) Provides that if the annuitant:

(1) is a retiree, or is a beneficiary under an optional service or disability retirement payment plan, to be eligible for the adjustment under this section:

(A) the annuitant is required to be living on the effective date of the adjustment; and

(B) the effective date of the retirement of the member of TRS on whose service the annuity is based is required to have been on or before August 31, 2020;

(2) is a beneficiary under Section 824.402(a)(3) or (4) or 824.502, to be eligible for the adjustment:

(A) the annuitant is required to be living on the effective date of the adjustment; and

(B) the date of death of the member of TRS on whose service the annuity is based is required to have been on or before August 31, 2020; or

(3) is an alternate payee under Section 804.005, to be eligible for the adjustment:

(A) the annuitant is required to be living on the effective date of the adjustment; and

(B) the effective date of the annuitant's election to receive the annuity payment was on or before August 31, 2020.

(d) Provides that an adjustment made under this section does not apply to payments under:

(1) Section 824.203(d), relating to retirees who receive a standard service retirement annuity in an amount fixed by statute;

(2) Section 824.304(a), relating to disability retirees with less than 10 years of service credit;

(3) Section 824.304(b)(2), relating to disability retirees who receive a disability annuity in an amount fixed by statute;

(4) Section 824.404(a), relating to active member survivor beneficiaries who receive a survivor annuity in an amount fixed by statute;

(5) Section 824.501(a), relating to retiree survivor beneficiaries who receive a survivor annuity in an amount fixed by statute; or

(6) Section 824.804(b), relating to participants in the deferred retirement option plan with regard to payments from their deferred retirement option plan accounts.

(e) Requires that an adjustment under this section be made beginning with an annuity payable for the month of January 2024.

(f) Provides that the amount of the adjustment provided under this section is calculated by multiplying the amount of the monthly benefit subject to the adjustment by the following percentage rate, as applicable:

(1) for annuitants described by Subsection (c)(1):

(A) if the retiree's effective date of retirement was on or before August 31, 2001, six percent;

(B) if the retiree's effective date of retirement was after August 31, 2001, but on or before August 31, 2013, four percent; and

(C) if the retiree's effective date of retirement was after August 31, 2013, but on or before August 31, 2020, two percent;

(2) for annuitants described by Subsection (c)(2):

(A) if the member's date of death was on or before August 31, 2001, six percent;

(B) if the member's date of death was after August 31, 2001, but on or before August 31, 2013, four percent; and

(C) if the member's date of death was after August 31, 2013, but on or before August 31, 2020, two percent; and

(3) for annuitants described by Subsection (c)(3):

(A) if the effective date of the annuitant's election was on or before August 31, 2001, six percent;

(B) if the effective date of the annuitant's election was after August 31, 2001, but on or before August 31, 2013, four percent; and

(C) if the effective date of the annuitant's election was after August 31, 2013, but on or before August 31, 2020, two percent.

(g) Requires the board of trustees of TRS (board) to determine the eligibility for and the amount of any adjustment in monthly annuities in accordance with this section.

SECTION 2. (a) Requires TRS, subject to Subsections (e) and (i) of this section and Section 821.006 (Action Increasing Amortization Period), Government Code, and except as provided by Subsection (g) of this section, 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 later than September 2023 and, to the extent practicable, 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:

(1) \$7,500, if the annuitant is at least 75 years of age on any day of the calendar month before the calendar month in which TRS issues the supplemental payment; or

(2) \$2,400, if the annuitant is:

(A) at least 70 years of age but younger than 75 years of age on any day of the calendar month before the calendar month in which TRS issues the supplemental payment; and

(B) not subject to Subdivision (1) of this subsection.

(d) Provides that the supplemental payment is payable without regard to any forfeiture of benefits under Section 824.601, 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, to be eligible for the supplemental payment, 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, to be an annuitant who is:

(1) at least 70 years of age; and

(2) eligible to receive:

(A) a standard retirement annuity payment;

(B) an optional retirement annuity payment as either a retiree or beneficiary;

(C) a life annuity payment under Section 824.402(a)(4), Government Code;

(D) an annuity for a guaranteed period of 60 months under Section 824.402(a)(3), Government Code; or

(E) an alternate payee annuity payment under Section 804.005, Government Code.

(f) Provides that the supplemental payment is in addition to the guaranteed number of payments under Section 824.204(c)(3) (relating to authorizing an eligible member to select that, if the retiree dies before 60 monthly annuity payments have been made, the remainder of the 60 payments are payable to the designated beneficiary) or (4) (relating to authorizing an eligible member, if the retiree dies before 120 monthly annuity payments have been made, to select that the remainder of the 120 payments are payable to the designated beneficiary), Section 824.308(c)(3) (relating to authorizing an eligible member, if the disability retiree dies before 60 monthly annuity payments have been made, to select that the remainder of the 60 payments are payable to the designated beneficiary) or (4) (relating to authorizing an eligible member, if the disability retiree dies before 120 monthly annuity payments have been made, to select that the remainder of the 120 payments are payable to the designated beneficiary), 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), Government Code;

(2) Section 824.804(b), Government Code;

(3) Section 824.501(a), Government Code; or

(4) Section 824.404(a), Government Code.

(h) Requires the board 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 TRS to make a one-time supplemental payment of benefits under this section only if the board finds that the legislature appropriated money to TRS in an amount sufficient to provide the supplemental payment. Requires that the amount appropriated by the legislature to provide the supplemental payment be in addition to the amount the state is required to contribute to TRS under Section 825.404 (Collection of State Contributions), Government Code.

(j) Requires the Comptroller of Public Accounts of the State of Texas, if the board determines that the appropriation provided by the legislature for the one-time supplemental payment of benefits under this section is different from the amount required to issue the supplemental payment, after the end of the fiscal year, to make adjustments in the teacher retirement fund and the general revenue fund so that the total transfers during the year equal the total amount of the funds required for the supplemental payment. Provides that this transfer of funds is in addition to and separate from the amount the state is required to contribute to TRS under Section 825.404, Government Code.

SECTION 3. (a) Effective date, except as provided by Subsection (b) of this section: upon passage or September 1, 2023.

(b) Effective date, Section 1 of this Act: January 1, 2024, contingent upon approval by the voters of the constitutional amendment proposed by the 88th Legislature, Regular Session, 2023, authorizing the 88th Legislature to provide a cost-of-living adjustment to certain annuitants of TRS.