

BILL ANALYSIS

C.S.H.B. 9
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Pensions, Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

There are concerns that the Teacher Retirement System Pension Trust Fund is not actuarially sound, and there are suggestions that the fund's current projected amortization period is over 80 years. The fund must be maintained at some level of actuarial stability, if not true soundness, for the pension to accommodate retirees and must be sound to provide for any eventual supplemental payment or cost-of-living adjustment. C.S.H.B. 9 seeks to accomplish this goal by providing for adjusted rates of member and state contributions beginning with the 2020-2021 biennium.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 9 amends the Government Code to set the required state contribution to the Teacher Retirement System of Texas (TRS) based on the following percentages of the aggregate annual compensation of all members of TRS during each respective fiscal year:

- 7.8 percent for the fiscal year beginning on September 1, 2019;
- 8.05 percent for the fiscal year beginning on September 1, 2020;
- 8.3 percent for the fiscal year beginning on September 1, 2021;
- 8.55 percent for the fiscal year beginning on September 1, 2022; and
- 8.8 percent for the fiscal year beginning on September 1, 2023, and each subsequent fiscal year.

C.S.H.B. 9 sets the rate of member contributions to TRS for compensation paid on or after September 1, 2019, at the lesser of the current rate or a rate that is reduced based on the state contribution rate established under the bill provisions for the applicable fiscal year.

C.S.H.B. 9 requires TRS to make a one-time supplemental payment of a retirement or death benefit payable not later than September 2020 and, to the extent practicable, on a date or dates that coincide with the regular annuity payment payable to each eligible annuitant. The bill provides for the minimum amount of the supplemental payment. The bill sets out provisions relating to applicable tax withholding and other legally required deductions, eligibility for the supplemental payment, including eligibility for a retiree or beneficiary under an optional

retirement payment plan, and restrictions on the payment. The supplemental payment is in addition to the guaranteed number of optional service or disability retirement annuity payments and the guaranteed number of payments to a designated beneficiary of a member who dies during a school year in which the member has performed service. The bill prohibits the supplemental payment from being counted as one of the guaranteed monthly payments.

C.S.H.B. 9 excludes the supplemental payment from payments made under statutory provisions relating to disability retirement annuities for retirees with less than 10 years of service credit, payments from deferred retirement option plan accounts to retirees who have participated in the deferred retirement option plan, and fixed-amount annuities for retiree or active member survivor beneficiaries.

C.S.H.B. 9 requires the board of trustees of TRS to determine the eligibility for and the amount and timing of a supplemental payment and the manner in which the payment is made. The bill requires the state to appropriate to TRS an amount equal to the cost of the one-time supplemental payment. The amount is in addition to the amount the state is required to contribute to TRS under statutory provisions relating to collection of state contributions to TRS. The bill prohibits TRS from issuing the one-time supplemental payment if the state does not transfer the appropriated amount.

EFFECTIVE DATE

September 1, 2019.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 9 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute revises the required state contributions to TRS by providing for an accelerated schedule of contribution increases and by setting the schedule to begin one year earlier with the 2020 fiscal year.

The substitute sets the revised member TRS contribution rate to start one year earlier by basing the rate on compensation paid on or after September 1, 2019.

The substitute sets the one-time supplemental payment of a retirement or death benefit to be made one year earlier at not later than September 2020.