

BILL ANALYSIS

Senate Research Center

S.B. 538
By: Barrientos
Intergovernmental Relations
3-6-97
As Filed

DIGEST

Currently, persons eligible to receive retirement benefits under the public retirement systems for employees must meet certain requirements. However, some of these provisions must be amended to conform with federal law. This bill provides that retirement allowances may be made to uniformed services members and their beneficiaries if certain qualifications have been met, and ensures that the retirement system remains a qualified plan under recently enacted federal law.

PURPOSE

As proposed, S.B. 538 is to ensure that the retirement system remains a qualified plan under recently enacted federal law. This bill also increases employee retirement benefits by increasing the factor used to calculate a retirement benefit.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 2 and 3, Article 6243n, V.T.C.S., as follows:

Sec. 2. DEFINITIONS. Defines "retired member." Redefines "actuarial equivalent," "compensation," "current service annuity," "employer," and "prior service pension." Makes conforming changes.

Sec. 3. ESTABLISHMENT AND APPLICABILITY. Requires members of a retirement system who retired and the beneficiaries of members who died, prior to September 1, 1997, instead of 1993, are to continue to receive the same retirement benefits they were entitled to receive prior to that date. Deletes existing Subsection (b) regarding members who retired during the calendar years 1962 and 1963.

SECTION 2. Amends Section 6, Article 6243n, V.T.C.S., to authorize a member to establish creditable service for uniformed service, rather than military service. Provides that uniformed service is credited by the Uniformed Service Employment and Reemployment Act (38 U.S.C. Section 4301 et seq.). Prohibits a member from establishing more than 48 months of creditable service, rather than 24. Provides that a member may be eligible for unreduced retirement benefits at the age of 55, if the person meets certain requirements. Sets forth provisions for determination of the incremental cost of eligibility. Sets forth amounts of service credit that may be purchased by a member before that person's actual retirement date. Provides that the full actuarial cost of creditable service purchased is payable by the member purchasing the credit. Makes conforming changes.

SECTION 3. Amends Sections 7(a) and (e), Article 6243n, V.T.C.S., to provide that a member who has 20 years creditable service, who meets certain requirements, is to be entitled to a retirement benefit at the age of 55. Provides that a member is entitled to a life annuity, if the member reaches age 55 and has 20 years creditable service. Sets forth the method of distribution of the annuity. Makes conforming and nonsubstantive changes.

SECTION 4. Amends Section 9, Article 6243n, V.T.C.S., to prohibit the annual benefit provided

with respect to any member from exceeding \$90,000, rather than the lessor of \$90,000 or 100 percent of a member's compensation averaged for a certain period. Prohibits the fraction of certain benefit plans from exceeding 1.0 for any year for which Section 415(e) of the code is in effect. Provides that a retired member who resumes regular full-time employment with an employer automatically resumes membership as an active contributing member, and requires the retirement board to terminate the person's retirement allowance. Requires the retirement system to compute the benefit based on service before and after the initial retirement and provides that the resulting benefit is reduced actuarially to reflect the value of the benefits received before the resumption of full-time employment. Makes conforming changes.

SECTION 5. Repealer: Section 12(f), Article 6243n, V.T.C.S. (Miscellaneous).

SECTION 6. Provides that a retirement allowance paid to a member who retired before October 1, 1997, or to a beneficiary of a member is changed beginning with the payments due at the end of October 1997. Provides that the amount of change for a member or a beneficiary of the member is equal to a certain percentage and sets forth formula for computing formula.

SECTION 7. Provides that Section 6(d), Article 6243n, V.T.C.S. takes effect on the date the Internal Revenue Service issues the next favorable determination letter regarding the qualification of the retirement system created by Article 6243n, V.T.C.S.

SECTION 8. Effective date: October 1, 1997, except as provided by SECTION 7.

SECTION 9. Emergency clause.