

BILL ANALYSIS

Senate Research Center
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S.B. 1846
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Constitutional provisions of the Teacher Retirement System of Texas (TRS) include the establishment of a trust and a board of trustees to administer the system, a requirement that the trust's assets be held for the exclusive benefit of the members, and a requirement that financing of benefits be based on sound actuarial principles. One such principle is the funding period, or the necessary amortization period for assets to fund liabilities. According to the TRS outside consulting actuary, the system has had an "infinite" funding period, which has resulted in retirees being precluded from receiving any benefit enhancements until the fund can amortize liabilities within a 31-year period. Statutory change is necessary to provide TRS with the tools that may lead to better management of funding for the pension fund.

As proposed, S.B. 1846 provides for a centralized structure for making both funding and benefit decisions, provides financial rewards for active members who choose to work beyond the "Rule of 80," and prohibits the state's contribution rate from dropping below the contribution rate of active members.

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 A, Chapter 824, Government Code, by adding Section 824.009, as follows:

Sec. 824.009. BENEFIT INCREASE. (a) Authorizes the increase of an amount of a service retirement benefit, disability retirement benefit, or a death benefit paid under Chapter 824 (Benefits), Government Code, only to the extent authorized by the General Appropriations Act applicable to the fiscal biennium in which the increase is paid.

(b) Provides that an increase made as provided by this section is subject to Section 821.006 (Action Increasing Amortization Period), Government Code.

SECTION 2. Amends Section 824.2031, Government Code, by adding Subsection (c), to provide that an improvement in the plan of benefits is subject to Section 824.009, Government Code.

SECTION 3. Amends Section 825.308, Government Code, to include contributions collected by employers from federal or private sources under Section 825.406 (Collection of Contributions from Federal or Private Sources; Offense; Penalty), contributions collected by a general academic teaching institution or a medical and dental unit under Section 825.407 (Collection of Contributions from Noneducational and General Funds), Government Code, and employer contributions required under Sections 825.4042 (Employer Contributions) and 825.4092 (Employer Contributions for Employed Retirees), Government Code, as contributions required to be deposited in the state contribution account by the Teacher Retirement System of Texas (TRS). Makes conforming changes.

SECTION 4. Amends Section 825.402, Government Code, as follows:

Sec. 825.402. RATE OF MEMBER CONTRIBUTIONS. (a) Creates this subsection from existing text. Requires a certain rate of contributions to TRS for a member, relative to the member's age and years of service, except as provided by Subsection (b).

(b) Authorizes the increase of the rate of contributions for each member of TRS to not more than 6.6 percent of the member's annual compensation, as directed by the General Appropriations Act, to ensure the actuarial soundness of TRS. Provides that an increase made under this subsection applies to annual compensation for service rendered during the school years that correspond to the fiscal biennium to which the General Appropriations Act requiring the increase applies or a shorter period specified by that Act. Prohibits an increase from being required under this subsection to fund a benefit increased described by Section 824.009, Government Code.

SECTION 5. Amends Section 824.404(a), Government Code, to prohibit the amount of state contribution made under Section 824.404 (Collection of State Contributions and Appropriated Operating Expenses), Government Code, from being less than the amount contributed by members during that fiscal year in accordance with Section 825.402 (Rate of Member Contributions), Government Code.

SECTION 6. Amends the heading to Section 825.4041, Government Code, to read as follows:

Sec. 825.4041. EMPLOYER PAYMENTS FOR CERTAIN NEW MEMBERS.

SECTION 7. Amends Subchapter E, Chapter 825, Government Code, by adding Section 825.4042, as follows:

Sec. 825.4042. EMPLOYER CONTRIBUTIONS. (a) Requires an employer to contribute an amount specified by the General Appropriations Act to TRS during each fiscal year. Prohibits this contribution from being less than .25 percent or greater than .75 percent of the aggregate annual compensation of contributing members of TRS employed by that employer during that fiscal year.

(b) Requires an employer to make the contributions required by this section in 12 monthly payments and as required by the TRS board of trustees.

(c) Provides that a contribution made under this section is in addition to other employer contributions required by Subchapter E (Collection of Membership Fees and Contributions), Section 825, Government Code.

(d) Authorizes an employer to deduct matching contributions made for contributing employees by the employer under the Federal Insurance Contributions Act (26 U.S.C. Chapter 21) that were paid by the employer from money other than money appropriated by the state, from the amount of contributions required under this section.

(e) Provides that contributions made by employers under this section do not affect the minimum state contribution required by Section 825.404(a), Government Code.

(f) Provides that contributions under this section are subject to the requirements of Section 825.408 (Interest on Contributions and Fees; Deposits in Trust), Government Code.

SECTION 8. Amends Section 825.406(b), Government Code, to require an employer receiving money for state contributions made in accordance with Subsection (a) (regarding required payment to the state after receiving federal or private funding toward payment of an employee's salary) to immediately send the money to TRS for deposit in the state contribution account, rather than the general revenue fund of the state treasury.

SECTION 9. Amends Section 825.407(g), Government Code, to require TRS to deposit, rather than submit, all money it received under this section to the state contribution account. Makes a conforming change.

SECTION 10. Amends Section 825.4092(e), Government Code, as follows:

(e) Provides that the amounts required to be paid under Subsections (b) and (c) (regarding provisions for payment of employer contributions for employed retirees) are not required for a retiree who retired from, rather than a retiree who was reported under, TRS before September 1, 2005. Deletes existing text relating to certain rules in effect for TRS for the report month of January 2005.

SECTION 11. Amends Subchapter I, Chapter 21, Education Code, by adding Section 21.4031, as follows:

Sec. 21.4031. SALARY SUPPLEMENT FOR CERTAIN RETIREMENT-ELIGIBLE CLASSROOM TEACHERS. (a) Provides that the amounts specified by this section are in addition to amounts to which a classroom teacher (teacher) is entitled under Section 21.402 (Minimum Salary Schedule for Certain Professional Staff), Education Code.

(b) Entitles a teacher, other than an employed retiree reported as described by Section 825.4092, Government Code, who meets certain age and service requirements, to certain annual salary supplements (salary supplement).

(c) Requires the salary supplement for a person who is entitled to a salary supplement for only part of a year to be prorated accordingly.

(d) Requires TRS, at the request of the Texas Education Agency (TEA), to provide TEA information and assistance necessary to determine a person's eligibility for a salary supplement.

(e) Entitles a school district to state funds in an amount equal to the sum of salary supplements to which the district's teachers are entitled. Provides that this funding is in addition to any funding the district receives under Chapter 42 (Foundation School Program), Education Code. Requires the commissioner of education (commissioner) to distribute funds for salary supplements with the Foundation School Program payment to which the district is entitled as soon as practicable after the end of the school year, as determined by the commissioner. Entitles a district to which Chapter 41 (Equalized Wealth Level), Education Code, applies to funding for salary supplements. Requires the commissioner to determine the timing of the distribution of funds to a district that does not receive Foundation School Program payments.

SECTION 12. Amends Section 1575.204(b), Insurance Code, to provide that the amounts paid under this subsection are not required for a retiree who retired from TRS before September 1, 2005, rather than a retiree who was reported by the employer under the rules in effect for TRS for the report month of January 2005.

SECTION 13. Amends Section 1575.252, Insurance Code, to require an employer who applies for money provided by the United States or a privately sponsored source to immediately send any money received for state contributions as a result of the application to TRS for deposit in the retired school employees group insurance fund, rather than the general revenue fund.

SECTION 14. Makes application of Section 825.4092, Government Code, as amended by this Act, prospective.

SECTION 15. Provides that Section 21.4031, Education Code, applies beginning with the 2006-2007 school year.

SECTION 16. Effective date: September 1, 2007.