

BILL ANALYSIS

Senate Research Center
87R14347 JCG-F

C.S.S.B. 1204
By: Schwertner
Finance
4/19/2021
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Teacher Retirement System of Texas (TRS) and the Employees Retirement System of Texas (ERS) have both experienced concerns regarding fund solvency and actuarial soundness. This led to S.B. 12 (86R) which provides increased funding to TRS from the state, retired teachers, and employing school districts. Similarly, ERS's failure to meet assumed rates of return has led to an anticipated depletion date of 2061.

TRS and ERS are required to have an amortization period under 31 years. The complex actuarial projections required for the plans rely heavily on assumed rates of return. With inaccurate projections on investment returns, the pensions could fail to meet obligations and become insolvent at an exponential rate. It is incumbent upon the legislature to maintain an accurate awareness of the state of the pension funds and of all funding options.

S.B. 1204 would require TRS and ERS to include, in the actuarial experience study which they are already required to complete, options to maintain the pension fund's actuarial soundness. These options may include:

Changes to benefits;

Reasonable changes to the assumed rate of return;

Increased contributions from members or members' employers; and

Options with and without appropriations or increased state contributions.

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

C.S.S.B. 1204 amends current law relating to requiring the inclusion of certain proposals in reports on the actuarial experience of the Employees Retirement System of Texas and 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 Section 815.206, Government Code, by adding Subsection (c-1), as follows:

(c-1) Requires that an actuarial experience study or other report on an actuarial investigation of mortality, service, and compensation experience conducted under Subsection (c) (relating to requirements of the actuary and under the direction of the board of trustees of the Employees Retirement System every four years) include at least one proposal that seeks to achieve or maintain an amortization period not exceeding 30 years by one or more years without additional or increased contributions from the state. Authorizes the proposal to include:

(1) changes to benefits;

(2) requiring increased or additional contributions from members or the members' employers; or

(3) reasonable changes to the assumed rate of return on investments.

SECTION 2. Amends Section 825.206, Government Code, by adding Subsection (e-1), as follows:

(e-1) Requires that an actuarial experience study or other report on an actuarial investigation of mortality, service, and compensation experience conducted under Subsection (b) (relating to requirements of the actuary on authorization by the board of trustees of the Teacher Retirement System of Texas every five years) include at least one proposal that seeks to achieve or maintain an amortization period not exceeding 30 years by one or more years without additional or increased contributions from the state. Authorizes the proposal to include:

(1) changes to benefits;

(2) requiring increased or additional contributions from members or the members' employers; or

(3) reasonable changes to the assumed rate of return on investments.

SECTION 3. Effective date: September 1, 2021.