

By: _____ .B. No. _____

Substitute the following for ____B. No. _____:

By: _____ C.S.____.B. No. _____

A BILL TO BE ENTITLED

1 AN ACT

2 relating to contributions to, benefits from, and the administration
3 of the Employees Retirement System of Texas.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 803.202, Government Code, is amended by
6 adding Subsection (c) to read as follows:

7 (c) A member of the Employees Retirement System of Texas who
8 is subject to Chapter 820 is eligible to participate in the program
9 provided by this chapter.

10 SECTION 2. Chapter 805, Government Code, is amended by
11 adding Section 805.0015 to read as follows:

12 Sec. 805.0015. APPLICABILITY. This chapter does not apply
13 to a member of the employees retirement system who is subject to
14 Chapter 820.

15 SECTION 3. Section 811.001, Government Code, is amended by
16 adding Subdivision (5-a) and amending Subdivision (16) to read as
17 follows:

18 (5-a) "Cash balance group member" means a member
19 subject to Chapter 820.

20 (16) "Service credit" means the amount of membership
21 and, if applicable, military service ascribed to a person's account
22 in the retirement system for which all required contributions have
23 been made to, and are being held by, the retirement system.

24 SECTION 4. Section 812.101(c), Government Code, is amended

1 to read as follows:

2 (c) For a law enforcement or custodial officer, the
3 withdrawal of accumulated contributions under Subsection (a)
4 includes all of the officer's contributions made under Section
5 815.402(h) or 820.101(b), as applicable.

6 SECTION 5. Section 813.001, Government Code, is amended to
7 read as follows:

8 Sec. 813.001. TYPES OF CREDITABLE SERVICE. The types of
9 service creditable in the retirement system are membership service
10 and, if applicable, military service [~~7~~] and equivalent membership
11 service.

12 SECTION 6. Subchapter A, Chapter 813, Government Code, is
13 amended by adding Section 813.0015 to read as follows:

14 Sec. 813.0015. PROVISIONS APPLICABLE TO CASH BALANCE GROUP
15 MEMBERS. The following provisions of this chapter do not apply to a
16 cash balance group member:

17 (1) Sections 813.102, 813.104, 813.106, 813.202,
18 813.402, 813.403, 813.404, 813.502, 813.504, 813.505, 813.506,
19 813.509, 813.511, 813.513, and 813.514; and

20 (2) Subchapter D.

21 SECTION 7. Section 813.401, Government Code, is amended to
22 read as follows:

23 Sec. 813.401. SERVICE CREDITABLE IN ELECTED CLASS. Service
24 creditable in the elected class of membership is:

25 (1) membership service in an office included in that
26 class; and

27 (2) for members other than cash balance group members:

1 (A) military service established as provided by
2 Subchapter D; and

3 (B) [~~3~~] equivalent membership service
4 specifically made creditable in that class.

5 SECTION 8. Section 814.001, Government Code, is amended to
6 read as follows:

7 Sec. 814.001. TYPES OF BENEFITS. (a) Except as provided by
8 Subsection (b), the [~~The~~] types of benefits payable by the
9 retirement system are:

- 10 (1) service retirement benefits;
11 (2) occupational disability retirement benefits;
12 (3) nonoccupational disability retirement benefits;
13 and
14 (4) death benefits.

15 (b) A cash balance group member is not eligible for
16 nonoccupational disability retirement benefits under this chapter.

17 SECTION 9. Subchapter A, Chapter 814, Government Code, is
18 amended by adding Section 814.0015 to read as follows:

19 Sec. 814.0015. PROVISIONS APPLICABLE TO CASH BALANCE GROUP
20 MEMBERS. The following provisions of this chapter do not apply to a
21 cash balance group member:

- 22 (1) Subchapters B, D, and G; and
23 (2) Sections 814.202(a), (e), and (f), 814.205,
24 814.2055, 814.206, 814.207, and 814.211.

25 SECTION 10. Section 814.009(a), Government Code, is amended
26 to read as follows:

27 (a) A person who receives an annuity under this subtitle

1 [~~subchapter~~] may, on a form prescribed by and filed with the
2 retirement system, authorize the retirement system to deduct from
3 the person's monthly annuity payment the amount of a fee for the
4 person's membership in a state employee organization that:

5 (1) is a certified eligible state employee
6 organization under Section 403.0165; or

7 (2) has at least 2,500 retirees as members on January 1
8 preceding the fiscal year for which the deduction is made.

9 SECTION 11. Section 814.0095(a), Government Code, is
10 amended to read as follows:

11 (a) Except as provided by Section 814.0096(c), a person who
12 receives an annuity under this subtitle [~~subchapter~~] may, on a
13 printed or electronic form filed with the retirement system,
14 authorize the retirement system to deduct from the person's monthly
15 annuity payment the amount of a contribution to the state employee
16 charitable campaign in the manner and for the same purposes for
17 which a state employee may authorize deductions to that campaign
18 under Subchapter I, Chapter 659.

19 SECTION 12. Sections 815.311(a) and (b), Government Code,
20 are amended to read as follows:

21 (a) The retirement system shall deposit in a member's
22 individual account in the employees saving account the following
23 amounts, as applicable:

24 (1) the amount of contributions to the retirement
25 system that is deducted from the member's compensation;

26 (2) the portion of a deposit required to reinstate
27 service credit previously canceled that represents only the amount

1 withdrawn;

2 (3) the portion of a deposit required to establish
3 service credit not previously established that represents only the
4 required contribution; ~~and~~

5 (4) the portion of a deposit required to establish
6 military service credit that represents only the member's
7 contribution for that credit; and

8 (5) interest and gain sharing interest in accordance
9 with Sections 820.102 and 820.103, respectively.

10 (b) Except as provided by Section 820.102 or 820.103,
11 interest ~~[Interest]~~ on money in an individual account in the
12 employees saving account is earned monthly and is computed at the
13 rate of two percent a year on the mean balance of the member's
14 account for the fiscal year.

15 SECTION 13. Section 815.314, Government Code, is amended to
16 read as follows:

17 Sec. 815.314. INTEREST ACCOUNT. Except as provided by
18 Section 815.317, 820.102, or 820.103, the retirement system shall
19 deposit in the interest account all income, interest, and dividends
20 from deposits and investments of assets of the retirement system.

21 SECTION 14. Section 815.317(d), Government Code, is amended
22 to read as follows:

23 (d) Member contributions to the fund deducted under Section
24 815.402(h) or 820.101(b), as applicable:

25 (1) earn interest at the same rate as money in an
26 individual account in the employees saving account under Section
27 815.311; and

1 (2) are subject to the same computations and
2 limitations that apply to member contributions under Section
3 815.311.

4 SECTION 15. Section 815.401(a), Government Code, is amended
5 to read as follows:

6 (a) Each member annually shall pay a membership fee of \$2. A
7 contributing member shall pay the fee with the member's first
8 contribution to the retirement system in each fiscal year in the
9 manner provided by Section 815.402 or 820.101, as applicable, for
10 payment of the member's contribution to the retirement system.

11 SECTION 16. The heading to Section 815.402, Government
12 Code, is amended to read as follows:

13 Sec. 815.402. COLLECTION OF CERTAIN MEMBER CONTRIBUTIONS.

14 SECTION 17. Section 815.402(a), Government Code, is amended
15 to read as follows:

16 (a) Except as provided by Section 813.201, each payroll
17 period, each department or agency of the state shall cause to be
18 deducted from the [each member's] compensation of each member,
19 other than a cash balance group member, a contribution of:

20 (1) 9.5 percent of the compensation if the member is
21 not a member of the legislature, for service rendered after August
22 31, 2015, and before September 1, 2017;

23 (2) for service by a member who is not a member of the
24 legislature rendered on or after September 1, 2017, the lesser of:

25 (A) 9.5 percent of the [~~member's annual~~]
26 compensation; or

27 (B) a percentage of the [~~member's annual~~]

1 compensation equal to 9.5 percent reduced by one-tenth of one
2 percent for each one-tenth of one percent that the state
3 contribution rate for the fiscal year to which the service relates
4 is less than the state contribution rate established for the 2017
5 fiscal year; or

6 (3) 9.5 percent of the compensation if the member is a
7 member of the legislature.

8 SECTION 18. Section 815.403(a), Government Code, is amended
9 to read as follows:

10 (a) During each fiscal year, the state shall contribute to
11 the retirement system:

12 (1) an amount equal to 9.5 [~~7.4~~] percent of the total
13 compensation of all members of the retirement system for that year;

14 (2) money to pay lump-sum death benefits for retirees
15 under Section 814.501;

16 (3) an amount for the law enforcement and custodial
17 officer supplemental retirement fund equal to 2.13 percent of the
18 aggregate state compensation of all custodial and law enforcement
19 officers for that year;

20 (4) money necessary for the administration of the law
21 enforcement and custodial officer supplemental retirement fund;
22 and

23 (5) money for service credit not previously
24 established, as provided by Section 813.202(c) or 813.302(d).

25 SECTION 19. Sections 815.406(a) and (c), Government Code,
26 are amended to read as follows:

27 (a) The state shall pick up the employee contribution

1 required of each of its employees by Section 815.402 or 820.101, as
2 applicable, for all compensation earned [~~after December 31, 1987~~].
3 The state shall pay to the retirement system the picked-up
4 contributions from the same source of funds that is used in paying
5 earnings to the employees. Such payments shall be in lieu of
6 contributions by the employees. The state shall pick up these
7 contributions by a corresponding reduction in the cash salary of
8 the employees, by an offset against a future salary increase, or by
9 a combination of a salary reduction and offset against a future
10 salary increase. Employees do not have the option of choosing to
11 receive the contributed amounts directly instead of having them
12 paid by the state to the retirement system.

13 (c) Employee contributions picked up as provided by
14 Subsection (a) shall be transmitted to the retirement system in the
15 manner required by Section 815.402 or 820.101, as applicable.
16 Employee contributions picked up by the state and credited to the
17 employee's account shall be treated for all other purposes as if the
18 amount were a part of the member's compensation and had been
19 deducted pursuant to Section 815.403(a).

20 SECTION 20. Subchapter E, Chapter 815, Government Code, is
21 amended by adding Section 815.407 to read as follows:

22 Sec. 815.407. LEGACY PAYMENTS. In addition to the
23 contributions required by this subtitle, each fiscal year the state
24 shall make a payment in the amount of \$350 million to the retirement
25 system to amortize the system's unfunded actuarial liabilities.

26 SECTION 21. Subtitle B, Title 8, Government Code, is
27 amended by adding Chapter 820 to read as follows:

1 CHAPTER 820. CASH BALANCE BENEFIT

2 SUBCHAPTER A. GENERAL PROVISIONS

3 Sec. 820.001. DEFINITION. In this chapter, "accumulated
4 account balance" means the total of amounts in a member's
5 individual account in the employees saving account, including:

6 (1) amounts deducted from the compensation of the
7 member;

8 (2) other member deposits required to be placed in the
9 member's individual account; and

10 (3) interest credited to amounts in the member's
11 individual account, including interest and gain sharing interest
12 credited in accordance with Sections 820.102 and 820.103,
13 respectively.

14 Sec. 820.002. APPLICABILITY. This chapter applies only to
15 a member who is first hired or first takes office in a position
16 included in the employee or elected class of membership:

17 (1) on or after September 1, 2022; or

18 (2) before September 1, 2022, if the member:

19 (A) no longer holds a position in the employee or
20 elected class of membership; and

21 (B) may withdraw, but has not withdrawn, the
22 member's accumulated contributions under Subchapter B, Chapter
23 812.

24 Sec. 820.003. CONFLICT OF LAW. To the extent of a conflict
25 between this chapter, including a rule adopted by the retirement
26 system under authority of this chapter, and any other law, this
27 chapter prevails.

1 Sec. 820.004. RULES. The board of trustees may adopt rules
2 necessary to implement this chapter.

3 SUBCHAPTER B. CASH BALANCE BENEFITS

4 Sec. 820.051. APPLICATION FOR CASH BALANCE BENEFIT. (a) A
5 member may apply for a cash balance annuity by filing an application
6 for retirement with the board of trustees.

7 (b) An application for a cash balance annuity may not be
8 made:

- 9 (1) after the date the member wishes to retire; or
10 (2) more than 90 days before the date the member wishes
11 to retire.

12 Sec. 820.052. ELIGIBILITY FOR CASH BALANCE BENEFIT. A
13 member:

14 (1) who has service credit in the employee class of
15 membership is eligible to retire and receive a cash balance annuity
16 if the member:

17 (A) is at least 65 years old and has five years of
18 service credit in that class; or

19 (B) has at least five years of service credit in
20 that class and the sum of the member's age and amount of service
21 credit in that class, including months of age and credit, equals or
22 exceeds the number 80;

23 (2) who:

24 (A) has at least 20 years of service credit as a
25 law enforcement or custodial officer is eligible to retire
26 regardless of age and receive a cash balance annuity in an amount
27 computed and funded as provided by Section 820.053; or

1 (B) is at least 55 years old and has at least 10
2 years of service credit as a law enforcement or custodial officer is
3 eligible to retire and receive a cash balance annuity in an amount
4 computed and funded as provided by Section 820.053; or

5 (3) who has service credit in the elected class of
6 membership is eligible to retire and receive a cash balance annuity
7 if the member:

8 (A) is at least 60 years old and has eight years
9 of service credit in that class; or

10 (B) is at least 50 years old and has 12 years of
11 service credit in that class.

12 Sec. 820.053. CASH BALANCE BENEFITS FOR MEMBERS. (a) The
13 state match for the cash balance benefit for:

14 (1) service credited to the employee class of
15 membership is an amount computed by multiplying the member's
16 accumulated account balance by 150 percent;

17 (2) service credited to the employee class of
18 membership by a member eligible to retire under this chapter as a
19 law enforcement or custodial officer is an amount computed by
20 multiplying the member's accumulated account balance by:

21 (A) except as provided by Paragraph (B), 150
22 percent; and

23 (B) for the portion of the accumulated account
24 balance, including interest, attributable to service as a law
25 enforcement or custodial officer, 300 percent, paid from the law
26 enforcement and custodial officer supplemental retirement fund;
27 and

1 (3) service credited to the elected class of
2 membership is an amount computed by multiplying the member's
3 accumulated account balance by 150 percent.

4 (b) The retirement system shall compute a member's cash
5 balance annuity under this section by taking the sum of the member's
6 accumulated account balance and the state match computed under
7 Subsection (a) and annuitizing that amount over the life expectancy
8 of the member as of the effective date of the member's retirement
9 using mortality and other tables adopted by the board for that
10 purpose under Section 815.105.

11 Sec 820.054. DEATH AND DISABILITY BENEFITS. (a) A member who
12 qualifies for an occupational disability retirement benefit under
13 Chapter 814 or the beneficiary of a member described by Section
14 820.002(1) is entitled to a cash balance annuity under Section
15 820.053.

16 (b) The board of trustees may enter into contracts to
17 provide additional death and disability benefits under this
18 chapter.

19 SUBCHAPTER C. CONTRIBUTIONS AND INTEREST

20 Sec. 820.101. COLLECTION OF MEMBER CONTRIBUTIONS. (a) Each
21 payroll period, each department or agency of the state shall cause
22 to be deducted from the compensation of a member subject to this
23 chapter a contribution of six percent of the compensation of the
24 member.

25 (b) In addition to the contribution under Subsection (a),
26 each department or agency of the state that employs a law
27 enforcement or custodial officer who is a member subject to this

1 chapter shall deduct an additional two percent contribution from
2 the member's compensation, to be deposited in the law enforcement
3 and custodial officer supplemental retirement fund.

4 Sec. 820.102. ANNUAL INTEREST ADJUSTMENT. Each fiscal
5 year, the retirement system shall deposit for a member subject to
6 this chapter an amount equal to four percent of the member's
7 accumulated account balance deposited into the member's individual
8 account in the employees saving account.

9 Sec. 820.103. GAIN SHARING INTEREST ADJUSTMENT. (a) Each
10 fiscal year and subject to Subsection (b), the retirement system
11 shall compute the gain sharing interest rate applicable to the
12 subsequent fiscal year by:

13 (1) determining the average return on the investment
14 of the system's cash and securities during the preceding five
15 fiscal years, expressed as a percentage rate;

16 (2) subtracting four percentage points from the
17 percentage rate determined under Subdivision (1); and

18 (3) multiplying the sum determined under Subdivision
19 (2) by 50 percent.

20 (b) Subject to Subsection (c), in addition to the amount
21 deposited under Section 820.102, each fiscal year, the retirement
22 system shall deposit into each member's and retiree's individual
23 account in the employees saving account an amount equal to the gain
24 sharing interest rate determined under Subsection (a) for the
25 fiscal year multiplied by the member's or retiree's, as applicable,
26 accumulated account balance.

27 (c) The gain sharing interest rate applied under Subsection

1 (b) may not be less than zero or more than three percent.

2 (d) Subsection (b) applies only to a retiree who is
3 receiving a cash balance annuity under Section 820.053.

4 SECTION 22. Section 1551.102(b), Insurance Code, is amended
5 to read as follows:

6 (b) An individual is eligible to participate in the group
7 benefits program as provided by Subsection (a) if:

8 (1) the individual retires under the jurisdiction of
9 the Employees Retirement System of Texas; and

10 (2) the individual:

11 (A) receives or is eligible to receive an annuity
12 under Section 814.104(a)(2), Government Code, and has at least 10
13 years of eligible service credit;

14 (B) receives or is eligible to receive an annuity
15 under Chapter 803 or Section 814.104(a)(1), Government Code, has at
16 least 10 years of eligible service credit, and is at least 65 years
17 of age; ~~or~~

18 (C) receives or is eligible to receive an annuity
19 that is based on eligibility under Section 814.002, 814.102,
20 814.104(b), 814.107(a), 834.101, or 839.101, Government Code; or

21 (D) receives or is eligible to receive an annuity
22 under Subchapter B, Chapter 820, Government Code.

23 SECTION 23. The Employees Retirement System of Texas is
24 required to implement a provision of this Act only if the
25 legislature appropriates money specifically for that purpose. If
26 the legislature does not appropriate money specifically for that
27 purpose, the Employees Retirement System of Texas may, but is not

1 required to, implement a provision of this Act using other
2 appropriations available for that purpose.

3 SECTION 24. This Act takes effect immediately if it
4 receives a vote of two-thirds of all the members elected to each
5 house, as provided by Section 39, Article III, Texas Constitution.
6 If this Act does not receive the vote necessary for immediate
7 effect, this Act takes effect September 1, 2021.