



Teacher Retirement System of Texas

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H.B. 2427 Truitt, et al. (Whitmire)

Summary

Following voter passage of a constitutional amendment, the Legislature created the Teacher Retirement System of Texas (TRS) in 1937. The TRS Board of Trustees administers and operates a system to provide retirement, disability, death, and survivor benefits for 1.2 million Texas public and higher education employees, retirees, and beneficiaries; invests and manages the \$100.2 billion Pension Trust Fund held in trust to provide future benefits for members and their beneficiaries; and offers health and long-term care insurance to eligible public education employees, retirees, and their dependents. In 2006, TRS operated with a staff of 466 employees and an annual administrative budget of \$44.7 million.

House Bill 2427 contains the Sunset Commission's recommendations to improve TRS' ability to fairly and effectively deliver benefits and programs to educational employees and retirees. Because TRS is not subject to abolishment under the Sunset Act, the bill does not contain a continue provision. The list below summarizes the major provisions of H.B. 2427, and a more detailed discussion follows.

Sunset Provisions

1. Require TRS to provide equal access to retirement counseling services across the state.
2. Restructure TRS' disability retirement benefit program to ensure protection of Pension Trust Fund assets.
3. Grant TRS a greater range of oversight tools to adequately protect investments made by public education employees in 403(b) products.
4. Repeal the statutory requirement for TRS to conduct the Public School Employees' Health Coverage Comparability Study.

Sunset Provisions

1. Require TRS to provide equal access to retirement counseling services across the state.

House Bill 2427 requires TRS to offer in-person, individual member counseling in locations other than Austin, allowing members across the state to access the individual counseling services now offered by TRS only at its headquarters. To enable the most effective delivery of these services, the bill requires TRS to adopt policies regarding availability, timing, and scheduling of the counseling services. The bill also directs TRS to make these individual counseling services available in conjunction with scheduled group sessions and clarifies that the agency does not provide legal or financial advice.

2. Restructure TRS' disability retirement benefit program to ensure protection of Pension Trust Fund assets.

The bill clarifies that disability retirement is meant as hardship relief, not as a supplemental income program, and requires TRS to adjust benefits for disability retirees who earn incomes exceeding their previous education salary. Under this requirement, TRS will adopt rules to reduce or limit benefits based on earned income, and provide for benefits to be reinstated when appropriate. To avoid loss of health insurance, the statute will allow disability retirees, with at least 10 years of service credit, who lose benefits under this stipulation, to continue enrollment in TRS-Care by paying the appropriate premium. The bill also authorizes TRS to require income reports from disability retirees who earn incomes in excess of limits set by TRS.

3. Grant TRS a greater range of oversight tools to adequately protect investments made by public education employees in 403(b) products.

House Bill 2427 requires certified 403(b) investment companies to register products offered for sale to Texas educators. This provision requires sellers of 403(b) investment products to disclose the registration status of the products to potential purchasers and adds fraudulent sale of unregistered 403(b) investment products to the list of prohibited practices in the Deceptive Trade Practices Act. The legislation requires TRS to list all registered 403(b) products on its website along with information on fees and other relevant consumer information. The bill requires educational employers to ensure that a selected investment product is listed on TRS' website before processing a salary reduction agreement. The bill also grants TRS the authority to conduct investigations of certified companies and registered products to determine compliance with the statute.

4. Repeal the statutory requirement for TRS to conduct the Public School Employees' Health Coverage Comparability Study.

With the expansion of TRS Active-Care, the bill eliminates an outdated requirement for TRS to analyze health coverage data submitted by public education entities, certify coverage that is comparable, and produce the Comparability Study every other year.

Fiscal Implication Summary

House Bill 2427 will result in a biennial savings of \$200,000 to the General Revenue Fund and a cost of \$2,866 to the Pension Trust Fund. The fiscal impact of specific provisions is summarized below.

The bill's provisions related to providing individual retirement counseling outside of Austin will result in a first-year cost of \$154,085 and subsequent annual costs of \$148,085. These costs will be borne by the Pension Trust Fund and are not reflected in the five-year fiscal impact table below. In addition, TRS received an increase in its FTE cap of three positions to perform these functions.

The bill's provisions to remove disability retirees who are gainfully employed from TRS-Care will have a positive fiscal impact to the Pension Trust Fund. Because the number of disability retirees who earn excessive incomes is unknown, the exact fiscal impact is difficult to estimate. Assuming that 5 percent of TRS disability retirees would be affected, the provision will yield a \$500,000 annual savings to the Pension Trust Fund. Offsetting this savings is a first-year cost of \$475,348 for TRS to implement the provisions and costs of \$225,348 in each subsequent year. These savings are not reflected in the five-year fiscal impact table below because they do not accrue to funds belonging to the State. These provisions also require an increase in the agency's FTE cap of five staff positions.

House Bill 2427's provisions related to 403(b) product registrations will result in a neutral fiscal impact as TRS will be able to raise additional funds through fees associated with product registration.

Finally, eliminating the unnecessary Health Coverage Comparability Study will result in a positive fiscal impact of \$100,000 per year to the General Revenue Fund and a reduction in TRS' FTE count of one half a full-time equivalent employee.

<i>Fiscal Year</i>	<i>Savings to the General Revenue Fund</i>	<i>Change in Staff Positions From FY 2007</i>
2008	\$100,000	+7.5
2009	\$100,000	+7.5
2010	\$100,000	+7.5
2011	\$100,000	+7.5
2012	\$100,000	+7.5