

Chapter 931

S.B. No. 1664

AN ACT

relating to contributions to, benefits from, membership in, and the administration of systems and programs administered by the Teacher Retirement System of Texas.

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

SECTION 1. Sections 22.004(b) and (d), Education Code, are amended to read as follows:

(b) A district that does not participate in the program described by Subsection (a) shall make available to its employees group health coverage provided by a risk pool established by one or more school districts under Chapter 172, Local Government Code, or under a policy of insurance or group contract issued by an insurer, a company subject to Chapter 842, Insurance Code, or a health maintenance organization under Chapter 843, Insurance Code. The coverage must meet the substantive coverage requirements of Chapter 1251, Subchapter A, Chapter 1364, and Subchapter A, Chapter 1366, Insurance Code, and any other law applicable to group health insurance policies or contracts issued in this state. The coverage must include major medical treatment but may exclude experimental procedures. In this subsection, "major medical treatment" means a medical, surgical, or diagnostic procedure for illness or injury. The coverage may include managed care or preventive care and must be comparable to the basic health coverage provided under Chapter 1551, Insurance Code. The ~~[board of trustees of the Teacher~~

1 ~~Retirement System of Texas shall adopt rules to determine whether a~~
2 ~~school district's group health coverage is comparable to the basic~~
3 ~~health coverage specified by this subsection. The rules must~~
4 ~~provide for consideration of the] following factors shall be~~
5 ~~considered [concerning the district's coverage] in determining~~
6 whether the district's coverage is comparable to the basic health
7 coverage specified by this subsection:

8 (1) the deductible amount for service provided inside
9 and outside of the network;

10 (2) the coinsurance percentages for service provided
11 inside and outside of the network;

12 (3) the maximum amount of coinsurance payments a
13 covered person is required to pay;

14 (4) the amount of the copayment for an office visit;

15 (5) the schedule of benefits and the scope of
16 coverage;

17 (6) the lifetime maximum benefit amount; and

18 (7) verification that the coverage is issued by a
19 provider licensed to do business in this state by the Texas
20 Department of Insurance or is provided by a risk pool authorized
21 under Chapter 172, Local Government Code, or that a district is
22 capable of covering the assumed liabilities in the case of coverage
23 provided through district self-insurance.

24 (d) Each district ~~[shall report the district's compliance~~
25 ~~with this section to the executive director of the Teacher~~
26 ~~Retirement System of Texas not later than March 1 of each~~
27 ~~even-numbered year in the manner required by the board of trustees~~

1 ~~of the Teacher Retirement System of Texas. For a district]~~ that
2 does not participate in the program described by Subsection (a)
3 shall prepare a report addressing the district's compliance with
4 this section. The~~[, the]~~ report must be available for review,
5 together with the policy or contract for the group health coverage
6 plan, at the central administrative office of each campus in the
7 district and be posted on the district's Internet website if the
8 district maintains a website, must be based on the district group
9 health coverage plan in effect during the current plan year, and
10 must include:

11 (1) appropriate documentation of:

12 (A) the district's contract for group health
13 coverage with a provider licensed to do business in this state by
14 the Texas Department of Insurance or a risk pool authorized under
15 Chapter 172, Local Government Code; or

16 (B) a resolution of the board of trustees of the
17 district authorizing a self-insurance plan for district employees
18 and of the district's review of district ability to cover the
19 liability assumed;

20 (2) the schedule of benefits;

21 (3) the premium rate sheet, including the amount paid
22 by the district and employee;

23 (4) the number of employees covered by the health
24 coverage plan offered by the district; and

25 (5) information concerning the ease of completing the
26 report~~[, as required by the executive director of the Teacher~~
27 ~~Retirement System of Texas, and~~

1 ~~[(6) any other information considered appropriate by~~
2 ~~the executive director of the Teacher Retirement System of Texas].~~

3 SECTION 2. Subchapter A, Chapter 821, Government Code, is
4 amended by adding Section 821.0011 to read as follows:

5 Sec. 821.0011. DETERMINATION OF EMPLOYEE OR INDEPENDENT
6 CONTRACTOR STATUS. In determining whether an individual is an
7 employee or independent contractor of an employer, the retirement
8 system shall use the test applied under common law and any guidance
9 issued by the Internal Revenue Service regarding factors to
10 consider when determining an individual's employment status.

11 SECTION 3. Section 822.201(b), Government Code, is amended
12 to read as follows:

13 (b) "Salary and wages" as used in Subsection (a) means:

14 (1) normal periodic payments of money for service the
15 right to which accrues on a regular basis in proportion to the
16 service performed;

17 (2) amounts by which the member's salary is reduced
18 under a salary reduction agreement authorized by Chapter 610;

19 (3) amounts that would otherwise qualify as salary and
20 wages under Subdivision (1) but are not received directly by the
21 member pursuant to a good faith, voluntary written salary reduction
22 agreement in order to finance payments to a deferred compensation
23 or tax sheltered annuity program specifically authorized by state
24 law or to finance benefit options under a cafeteria plan qualifying
25 under Section 125 of the Internal Revenue Code of 1986, if:

26 (A) the program or benefit options are made
27 available to all employees of the employer; and

1 (B) the benefit options in the cafeteria plan are
2 limited to one or more options that provide deferred compensation,
3 group health and disability insurance, group term life insurance,
4 dependent care assistance programs, or group legal services plans;

5 (4) performance pay awarded to an employee by a school
6 district as part of a total compensation plan approved by the board
7 of trustees of the district and meeting the requirements of
8 Subsection (e);

9 (5) the benefit replacement pay a person earns under
10 Subchapter H, Chapter 659, except as provided by Subsection (c);

11 (6) stipends paid to teachers in accordance with
12 Section 21.410, 21.411, 21.412, or 21.413, Education Code;

13 (7) amounts by which the member's salary is reduced or
14 that are deducted from the member's salary as authorized by
15 Subchapter J, Chapter 659;

16 (8) a merit salary increase made under Section 51.962,
17 Education Code;

18 (9) amounts received under the relevant parts of the
19 educator excellence awards program under Subchapter O, Chapter 21,
20 Education Code, or a mentoring program under Section 21.458,
21 Education Code, that authorize compensation for service;

22 (10) salary amounts designated as health care
23 supplementation by an employee under Subchapter D, Chapter 22,
24 Education Code; and

25 (11) to the extent required by Sections 3401(h) and
26 414(u)(12) [~~414(u)(2)~~], Internal Revenue Code of 1986,
27 differential wage payments received by an individual from an

1 employer on or after January 1, 2009, while the individual is
2 performing qualified military service as defined by Section 414(u),
3 Internal Revenue Code of 1986.

4 SECTION 4. Section 823.004(a), Government Code, is amended
5 to read as follows:

6 (a) All credit for military service, out-of-state service,
7 developmental leave, work experience in a career or technological
8 field, and service transferred to the retirement system under
9 Chapter 805 shall be computed on a September 1 through August 31
10 school year. Payments for service described by this section must be
11 completed:

12 (1) not later than two calendar months after the later
13 of the member's retirement date or the last day of the month in
14 which the member submits a retirement application; and

15 (2) before the later of the due date for the member's
16 first monthly annuity payment or the date on which the retirement
17 system issues the first monthly annuity payment to the member.

18 SECTION 5. Section 823.403, Government Code, is amended by
19 amending Subsections (c) and (d) and adding Subsection (d-1) to
20 read as follows:

21 (c) On receipt of a certification under Subsection (b) and
22 payment under Subsection (d) of this section, the retirement system
23 shall grant any credit to which a retiree who is a subject of the
24 certification is entitled. Unless a member declines to purchase
25 service credit under this section as provided by Subsection (d-1),
26 an annuity payment may not begin until the retirement system is paid
27 the full cost of the service credit. [~~The increase in the annuity~~

1 ~~payment begins with the first payment that becomes due after~~
2 ~~certification and payment.]~~

3 (d) In order to receive credit, the member shall pay to the
4 retirement system at the time service credit is granted under this
5 section the actuarial present value of the additional standard
6 retirement annuity benefits under the option selected by the member
7 that would be attributable to the conversion of the unused state
8 personal or sick leave into the service credit based on rates and
9 tables recommended by the actuary and adopted by the board of
10 trustees. Except as provided by this subsection, the retirement
11 system must receive the payment for service credit under this
12 section not later than the 90th day after the date the retirement
13 system issues a cost statement for the purchase of service credit
14 under this section. The retirement system may grant a member a
15 one-time extension of not more than 30 days to complete the purchase
16 of the service credit if the purchase is made by:

17 (1) a rollover distribution from another eligible
18 retirement plan; or

19 (2) a direct trustee-to-trustee transfer of funds
20 from:

21 (A) an eligible deferred compensation plan
22 described by Section 457(b), Internal Revenue Code of 1986, that is
23 maintained by an eligible governmental employer; or

24 (B) an annuity contract described by Section
25 403(b), Internal Revenue Code of 1986, that is purchased under a
26 governmental plan.

27 (d-1) A member who fails to make the payment described by

1 Subsection (d) within the time prescribed by that subsection may:

2 (1) decline to purchase service credit under this
3 section and maintain the member's effective date of retirement; or

4 (2) revoke the member's retirement as provided by
5 Section 824.005(a) and select a later retirement date that provides
6 the member with sufficient time to complete the purchase of the
7 service credit under this section.

8 SECTION 6. Sections 824.002(e) and (f), Government Code,
9 are amended to read as follows:

10 (e) Except as provided by Section 823.403(d), if
11 applicable, not [~~Not~~] later than two months after the later of a
12 member's retirement date or the last day of the month in which the
13 member's application for retirement is submitted, and before the
14 later of the due date for the first monthly annuity payment or the
15 date on which the retirement system issues the first monthly
16 annuity payment, a member applying for service retirement may,
17 after providing notice to the retirement system, reinstate
18 withdrawn contributions, make deposits for military service and
19 equivalent membership service, and receive service credit as
20 provided by this subtitle.

21 (f) An effective retirement date may not be changed after it
22 is established except by revocation of retirement under Section
23 824.005 [~~and retirement at a later date~~].

24 SECTION 7. Section 825.307(a), Government Code, is amended
25 to read as follows:

26 (a) The retirement system shall deposit in a member's
27 individual account in the member savings account:

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

3 (2) the portion of a deposit made on or after
4 resumption of membership that represents the amount of retirement
5 benefits received;

6 (3) the portion of a deposit to reinstate service
7 credit previously canceled that represents the amount withdrawn or
8 refunded;

9 (4) the portion of a deposit to establish military
10 service credit required by Section 823.302(c);

11 (5) the portion of a deposit to establish USERRA
12 credit required by Section 823.304(c);

13 (6) the portion of a deposit to establish:

14 (A) equivalent membership service credit
15 required by Section 823.401(d), 823.402(e) [~~823.402(e)(1) or~~
16 ~~(e)(2)~~], 823.403(d), [~~or~~] 823.404(c), or 823.406(b) or former
17 Section 823.405; or

18 (B) unreported service credit or compensation
19 required by Section 825.403(h); and

20 (7) [~~(6)~~] interest earned on money in the account as
21 provided by Subsections (b) and (c) and Section 825.313(c).

22 SECTION 8. Section 825.509(b-1), Government Code, is
23 amended to read as follows:

24 (b-1) Notwithstanding Subsection (b)(3), with respect to a
25 distribution made on or after January 1, 2002, an otherwise
26 eligible portion of a rollover distribution that consists of
27 after-tax employee contributions not includable in gross income is

1 an eligible rollover distribution for purposes of this section.

2 The eligible portion may be transferred only:

3 (1) to an individual retirement account or annuity
4 described by Section 408(a) or (b), Internal Revenue Code of 1986;

5 (2) to a qualified plan described by Section 403(a),
6 Internal Revenue Code of 1986;

7 (3) for distributions occurring on or after January 1,
8 2007, to a qualified plan described by Section 401(a), Internal
9 Revenue Code of 1986, if the plan agrees to separately account for:

10 (A) the amounts transferred and the earnings on
11 the amounts transferred; and

12 (B) the portion of the distribution that is
13 includable in gross income and the portion of the distribution that
14 is not includable in gross income; or

15 (4) to an annuity contract described by Section
16 403(b), Internal Revenue Code of 1986, that agrees to separately
17 account for amounts transferred and earnings on amounts
18 transferred, including for the portion of the distribution that is
19 includable in gross income and the portion of the distribution that
20 is not includable in gross income.

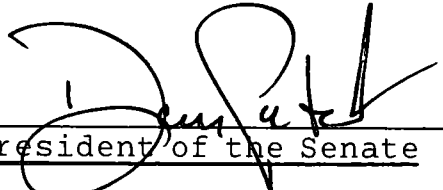
21 SECTION 9. Section 830.201(h), Government Code, is amended
22 to read as follows:

23 (h) Before November 2 of each even-numbered year, the Texas
24 Higher Education Coordinating Board [~~board of trustees~~], in
25 coordination with the Legislative Budget Board, shall certify to
26 the comptroller for review and adoption an estimate of the amount
27 necessary to pay the state's contributions to the retirement system

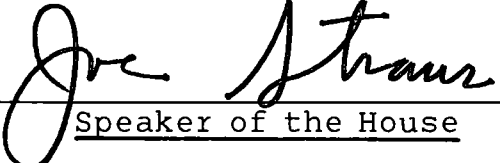
S.B. No. 1664

1 for the following biennium. For qualifying employees under
2 Subsection (g)(1), the Texas Higher Education Coordinating Board
3 [~~board of trustees~~] shall include only the amount payable by the
4 state under Subsection (g)(1) in determining the amount to be
5 certified.

6 SECTION 10. This Act takes effect September 1, 2017. _____

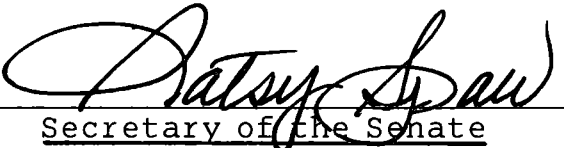


President of the Senate




Speaker of the House

I hereby certify that S.B. No. 1664 passed the Senate on
April 19, 2017, by the following vote: Yeas 31, Nays 0. _____



Secretary of the Senate

I hereby certify that S.B. No. 1664 passed the House on
May 24, 2017, by the following vote: Yeas 144, Nays 0, three
present not voting. _____



Chief Clerk of the House

Approved:

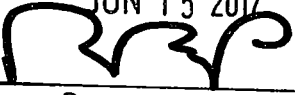
6 - 10 - 2017

Date



Governor

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
3 PM O'CLOCK

JUN 15 2017


Secretary of State

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 12, 2017

TO: Honorable Dan Flynn, Chair, House Committee on Pensions

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1664** by Huffman (Relating to contributions to, benefits from, membership in, and the administration of systems and programs administered by the Teacher Retirement System of Texas.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would amend the Education Code and Government Code related to contributions, benefits, membership, and administration of Teacher Retirement System (TRS) programs, and transfers certain responsibilities relating to the Optional Retirement Program from TRS to the Higher Education Coordinating Board. It is assumed that all duties and responsibilities necessary to implement the provisions of the bill could be accomplished utilizing existing staff and resources, based on information provided by the Teacher Retirement System, the Comptroller of Public Accounts, and the Texas Higher Education Coordinating Board.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 781 Higher Education Coordinating Board

LBB Staff: UP, AG, AM, TSI

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 5, 2017

TO: Honorable Joan Huffman, Chair, Senate Committee on State Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1664 by Huffman (Relating to contributions to, benefits from, membership in, and the administration of systems and programs administered by the Teacher Retirement System of Texas.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would amend the Education Code and Government Code related to contributions, benefits, membership, and administration of Teacher Retirement System (TRS) programs, and transfers certain responsibilities relating to the Optional Retirement Program from TRS to the Higher Education Coordinating Board. It is assumed that all duties and responsibilities necessary to implement the provisions of the bill could be accomplished utilizing existing staff and resources, based on information provided by the Teacher Retirement System, the Comptroller of Public Accounts, and the Texas Higher Education Coordinating Board.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 781 Higher Education Coordinating Board

LBB Staff: UP, AG, AM, TSI

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 2, 2017

TO: Honorable Joan Huffman, Chair, Senate Committee on State Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1664 by Huffman (Relating to contributions to, benefits from, membership in, and the administration of systems and programs administered by the Teacher Retirement System of Texas.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend the Education Code and Government Code related to contributions, benefits, membership, and administration of Teacher Retirement System (TRS) programs, and transfers certain responsibilities relating to the Optional Retirement Program from TRS to the Higher Education Coordinating Board. It is assumed that all duties and responsibilities necessary to implement the provisions of the bill could be accomplished utilizing existing staff and resources, based on information provided by the Teacher Retirement System, the Comptroller of Public Accounts, and the Texas Higher Education Coordinating Board.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 781 Higher Education Coordinating Board

LBB Staff: UP, AG, AM, TSI

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

ACTUARIAL IMPACT STATEMENT

85TH LEGISLATIVE REGULAR SESSION

May 12, 2017

TO: Honorable Dan Flynn, Chair, House Committee on Pensions

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1664 by Huffman (Relating to contributions to, benefits from, membership in, and the administration of systems and programs administered by the Teacher Retirement System of Texas.), **As Engrossed**

The bill would amend the Education Code and Government Code to make clarifications, updates and corrections to the Teacher Retirement System of Texas statute. The bill would clarify sections in the Government Code to correctly cite the IRS Code, and would update TRS plan terms to allow rollover by TRS to a 401(a) plan. The bill would make statutory corrections to include the removal of a previous error that included a requirement for school districts to provide health care comparability reports to TRS. The bill would also make administrative changes, including granting additional time for TRS members to purchase service credit at retirement, as well as granting members additional time for purchasing sick or personal leave credit. The bill would be effective September 1, 2017.

The bill, if enacted, would not have a significant actuarial effect because it does not propose to change the funding or obligations of any public retirement system.

Source Agencies: 338 Pension Review Board

LBB Staff: UP, KFa, AM, TSI

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

ACTUARIAL IMPACT STATEMENT

85TH LEGISLATIVE REGULAR SESSION

April 5, 2017

TO: Honorable Joan Huffman, Chair, Senate Committee on State Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1664 by Huffman (Relating to contributions to, benefits from, membership in, and the administration of systems and programs administered by the Teacher Retirement System of Texas.), **Committee Report 1st House, Substituted**

The bill would amend the Education Code and Government Code to make clarifications, updates and corrections to the Teacher Retirement System of Texas statute. The bill would clarify sections in the Government Code to correctly cite the IRS Code, and would update TRS plan terms to allow rollover by TRS to a 401(a) plan. The bill would make statutory corrections to include the removal of a previous error that included a requirement for school districts to provide health care comparability reports to TRS. The bill would also make administrative changes, including granting additional time for TRS members to purchase service credit at retirement, as well as granting members additional time for purchasing sick or personal leave credit. The bill would be effective September 1, 2017.

The bill, if enacted, would not have a significant actuarial effect because it does not propose to change the funding or obligations of any public retirement system.

Source Agencies: 338 Pension Review Board

LBB Staff: UP, AM, TSI

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

ACTUARIAL IMPACT STATEMENT

85TH LEGISLATIVE REGULAR SESSION

April 2, 2017

TO: Honorable Joan Huffman, Chair, Senate Committee on State Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1664** by Huffman (Relating to contributions to, benefits from, membership in, and the administration of systems and programs administered by the Teacher Retirement System of Texas.), **As Introduced**

SB 1664 would amend the Education Code and Government Code to make clarifications, updates, and corrections to the Teacher Retirement System of Texas (TRS) statute. The bill would clarify sections in the Government Code to correctly cite the IRS Code, and would update TRS plan terms to allow direct rollover by TRS to a 401(a) plan. The bill would make statutory corrections to include the removal of a previous error that included a requirement for school districts to provide health care comparability reports to TRS. The bill would also make administrative changes, including granting additional time for TRS members to purchase service credit at retirement, as well as granting members additional time for purchasing sick or personal leave credit. The bill would be effective September 1, 2017.

The bill, if enacted, would not have a significant actuarial effect because it does not propose to change the funding or obligations of any public retirement system.

Source Agencies: 338 Pension Review Board

LBB Staff: UP, AM, TSI