

Pensions Committee Wrap up from 84th Session

Major bills that passed:

- HB 9 - ERS Fixes
 - The Employees Retirement pension fund has \$25.8 billion in assets, and \$7.8 billion in unfunded actuarial liabilities. It is out-of-balance with 76.9 cents for every \$1.00 owed.
 - Before the 84th session Moody's said Texas may lose its high credit rating due to the unfunded liabilities, but with the changes made to the Employees Retirement pension this session, Texas has been recognized by Moody's for making "a significant improvement."
 - For the first time in 19 of the last 20 years the Employees Retirement System is finally within the pension review boards recommended guidelines. The success this session was thanks to a collective effort of the Representative, Senators, the Governor, Employees Retirement System, and stakeholders like you. We came into this session dedicated to keeping the States commitment to our employees and that was achieved through House Bill 9.
 - House Bill 9 increases state, employee, and legislators contribution rates to 9.5 percent and includes a salary increase for current state employees to offset the increased contribution.
 - House Bill 9 also removed the 90 day wait provision that made employees wait 90 days to start contributing towards their retirement. On September 1, 2015 all current employees will start contributing to and accruing time towards their pension.
 - The changes made in House Bill 9 and appropriations made in House Bill 1 will bring the Employees Retirement pension from an infinite amortization period to a 32 year amortization period, which is well within the Pension Review Boards guidelines of less than a 40 year amortization period.
- HB 408 - Double Dipping
 - This bill prohibits an elected official from being able to retire and receive retirement benefits based on service credit transferred to the employee class from the elected class until the member no longer holds an elected position.
 - The proposal still allows the members to receive an annuity based solely on service credit earned in the employee class.
- HB 966 - Employees Retirement System Health Savings Accounts
 - This bill creates an option for employees in the Employees Retirement System to choose a high deductible health care plan with a health savings account, instead of the current health care coverage provided by the state.
 - The state would contribute to the high deductible plan premium and also pay an amount into the employees' health savings account. The total amount the state contributes for this option is the same as the state contributes to the current full coverage option minus any additional administrative costs.

- HB 1278 - financial assistance benefits to the survivors of law enforcement officers, firefighters, and certain other public employees killed in the line of duty
 - Increase from \$250,000 to \$500,000 the amount of financial assistance the state is required to pay to the eligible surviving spouse of certain law enforcement officers, firefighters, and other public employees killed in the line of duty, to such an employee's surviving children in equal shares if there is no eligible surviving spouse, or to such an employee's surviving parents in equal shares if there is no eligible surviving spouse or child. The bill increases the monthly payment the state is required to pay to the duly appointed or qualified guardian or other legal representative of such an employee's eligible surviving minor child from \$200 to \$400 if there is one surviving child, from \$300 to \$600 if there are two surviving children, and from \$400 to \$800 if there are three or more surviving children.
- HB 2974 - Teacher Retirement System Health Care study and administration for TRS
 - TRS-Care is facing a severe projected funding shortage. Without changes, the sustainability of the program in its current structure is at risk.
 - This bill creates a joint interim committee that will investigate all available options to take care of our teachers and deliver the best possible solutions for the issues that lie ahead.
 - Specifically, the joint interim committee will investigate the following:
 - the financial soundness of the health benefit plans;
 - the cost and affordability of plan coverage to persons eligible for coverage under the plans; and
 - the sufficiency of access to physicians and health care providers under the plans.
- HB 3310 - Fixes for public pensions
 - CSHB 3310 aims at putting best practices, including disclosure and transparency requirements into law.
 - The bill requires public retirement systems to notify its sponsoring entity upon receiving an actuarial valuation indicating the system's actual contributions are not sufficient to amortize the unfunded actuarial accrued liability within 40 years.
 - Systems with consistently inadequate funding arrangements, as determined by an actuarial valuation that shows higher than a 40 year amortization period, would be required to develop a funding soundness restoration plan.
 - The funding soundness restoration plan should be designed to achieve a contribution rate sufficient to amortize the unfunded actuarial accrued liability within 40 years no later than the 10th anniversary of the date on which the plan was agreed to.
 - Systems that currently have a sound funding arrangement in place will not be required to do anything.
 - CSHB 3310 provides flexibility for public retirement systems and their sponsors to come up with their own solutions for fixing their funding problems locally, rather than imposing or requiring any specific funding arrangement.

- By working together to address any current or potential future funding problems, a system and its sponsor will send the right message to bond rating agencies that look at the willingness of governments to manage their pension obligation, including making progress towards paying it down over time.

Major bills with a lot of attention that did not pass:

- HB 2572 - Houston's firefighters retirement and relief fund changes
 - Amends the law to require each eligible firefighter participating in a deferred retirement option plan (DROP) in Houston to make contributions to the firefighters' relief and retirement fund in an amount equal to 100 percent of the DROP participant's unused leave pay, defined by the bill as the accrued value of unused leave time due to the employee at separation from service. The bill requires such DROP participant contributions, along with an equal amount received by the fund as a contribution from the municipality upon such DROP participant's separation from service, to be credited to the DROP participant's DROP account. The bill specifies that the statutory provision requiring the municipality's contributions, when added to certain contributions with respect to a qualified governmental excess benefit arrangement, to be not less than twice the amount paid into the fund by member contributions applies without regard to member contributions of unused leave pay.
 - H.B. 2572 requires employee and employer contribution rates, other than with regard to the unused leave pay otherwise provided for by the bill, as of the bill's effective date, to be placed in effect for the fund's fiscal years 2016, 2017, and 2018 as indicated in a schedule set out by the bill's provisions. The bill requires the employee and employer contribution percentages for fiscal year 2016, if the fund's fiscal year 2016 begins after the bill's effective date, to be applied only as of the bill's effective date. The bill's provisions relating to the contribution rate schedule for those three specified fiscal years expire July 1, 2018.
- HB 2608 -
 - Any city created under state statute with a public retirement system may adopt by resolution or ordinance changes to benefits, participation and eligibility requirements, funding source or amounts, and administration of the system for the public retirement system. Any provision passed by the locals supersedes state law.