

Pension Bills of the 86th Legislative Session

General Pension Bills

[SB 322 – Investment Performance Evaluations/Fee Disclosures \(Huffman\)](#)

Status: Signed by the Governor on 6/10/2019 and became effective immediately.

Fee Disclosure

Public retirement systems are required to include in their annual financial report a listing, by asset class, of all direct and indirect commissions and fees paid by the retirement system for the sale, purchase, or management of the system's assets and to provide the names of the investment managers engaged by the retirement system.

Investment Practices and Performance Report

A public retirement system shall select an independent firm to evaluate the appropriateness, adequacy, and effectiveness of the retirement system's investment practices and performance and to make recommendations for improving the retirement system's investment policies, procedures, and practices.

Each evaluation must include:

- an analysis of any investment policy or strategic investment plan;
- a detailed review of the retirement system's asset allocation;
- a review of the appropriateness of investment fees and commissions paid by the retirement system;
- a review of the retirement system's governance processes related to investment activities; and
- a review of the retirement system's investment manager selection and monitoring process.

In selecting an independent firm to conduct the evaluation, a public retirement system may select a firm regardless of whether the firm has an existing relationship with the retirement system and **may not** select a firm that directly or indirectly manages investments of the system.

Systems >= \$100M in assets must conduct investment performance evaluations once **every 3 years**.

Systems >= \$30M in assets must conduct investment performance evaluations once **every 6 years**.

Systems < \$30M in assets are not required to conduct these evaluations.

A report of the first evaluation must be filed with the governing body of the system not later than **May 1, 2020. The report is due to the PRB 31 days after the date the governing body of a public retirement system receives it.** The PRB will compile and summarize the reports and submit the information to the legislature in the agency's Biennial Report (due in November each even-numbered year).

The bill allows TRS to use this evaluation to satisfy the investment reporting requirements in its statute. It also allows Houston systems to submit the investment evaluations that are required in their own statutes to satisfy this requirement.

General Pension Bills

[SB 1570 – Corrections Employees – Loss of Retirement \(Flores\)](#)

Status: Signed by the Governor on 6/10/2019 and became effective immediately.

The bill adds Section 810.004 to the Texas Government Code to make certain corrections employees ineligible for a service retirement annuity if they are convicted of a qualified felony arising directly from the member’s service. A qualified felony is defined as any felony involving an incarcerated member of a criminal street gang.

[SB 2224 – Requiring Systems to Adopt Funding Policies \(Huffman\)](#)

Status: Signed by the Governor on 6/4/2019 and will become effective on 9/1/2019.

All public retirement systems are required to adopt a written funding policy by January 1, 2020. The funding policy must detail the system’s governing body’s plan for achieving a funding ratio that is equal to or greater than 100%. A copy of the policy and any change is required to be submitted to the system’s sponsor and the PRB not later than the 31st day after the date the policy or change is adopted.

Statewide Systems

Teacher Retirement System (TRS)

[SB 500 \(Supplemental Appropriations Act\) – Additional Appropriations to TRS \(Nelson\)](#)

Status: Signed by the Governor 6/6/2019. Sections 83 and 84 (affecting TRS) became effective immediately.

The bill provides additional State contributions to TRS from the Economic Stabilization Fund (ESF) to pay for the costs associated with SB 12 and HB 3 for the state fiscal biennium ending August 31, 2021. The bill makes additional appropriations of \$263 million for the fiscal year ending August 31, 2020 and \$261 million for the fiscal year ending August 31, 2021.

In addition, the bill provides a supplemental appropriation to TRS of \$589 million from the ESF for the two-year period beginning on the effective date of the bill to provide a one-time additional payment to certain annuitants if TRS meets its statutory requirement of actuarial soundness.

[SB 12 – Increasing Contributions to TRS \(Huffman\)](#)

Status: Signed by the Governor on 6/10/2019 and became effective immediately.

Contributions: The bill increases the annual base employer contribution, supplemental employer contribution (for districts that do not participate in Social Security) and member contribution rates over the 2020-2025 fiscal years according to the table:

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025+
Employer	6.80%	7.50%	7.50%	7.75%	8.00%	8.25%	8.25%
Non-Social Security Employer	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
Member	7.70%	7.70%	7.70%	8.00%	8.00%	8.25%	8.25%

Statewide Systems

Teacher Retirement System (TRS)

[SB 12 \(continued\) – Increasing Contributions to TRS \(Huffman\)](#)

13th Check: A one-time 13th check will be provided to certain annuitants, **capped at \$2,000**. Retirees will receive the lesser amount of the amount of their monthly annuity check or \$2,000 (paid for from the ESF as appropriated by SB 500).

[HB 3 - Public School Finance \(Huberty\)](#)

Status: Signed by the Governor on 6/12/2019 and became effective immediately.

This is the House's education bill encompassing several public school finance elements, including salary increases for classroom teachers. The bill does not explicitly change the benefit provisions of TRS, but the benefits paid from and contributions paid into TRS are based on the salaries of the individual members, and thus a significant change to the salary levels would have an impact on the financial position of TRS over the short term. Increased member contributions will slightly offset the impact of the increased liability.

[HB 1612 – TRS Investments in Certain Hedge Funds \(Murphy\)](#)

Status: Signed by the Governor on 6/10/2019 and became effective immediately.

The bill raises the cap for investments in hedge funds from 5% of the value of the total investment portfolio to **no more than 10%**.

[HB 2629 – Deadlines to Appeal Administrative Decisions of TRS \(Flynn\)](#)

Status: Signed by the Governor on 6/10/2019 and will become effective 9/1/2019.

The bill requires TRS to adhere to the same timeline when issuing a decision on an appeal that it requires of its members when dealing with hearings and appeals related to benefits. The bill requires the TRS board to adopt rules establishing deadlines for filing an appeal that gives a member or retiree the same amount of time to file an appeal as TRS has to issue their decision.

[HB 2820 – The Regulation of 403\(b\) Investments Available to Public School Employees \(Flynn\)](#)

Status: Signed by the Governor on 5/24/2019 and will become effective 9/1/2019.

This bill eliminates dual regulation being conducted by TRS and other agencies by removing TRS's 403(b) product regulation responsibility.

[SB 619 – Sunset Date Change \(Birdwell, Buckingham, Hall, Nichols and Watson\)](#)

Status: Signed by the Governor on 6/10/2019 and became effective immediately.

TRS will be subject to Sunset review in 2021 (previously 2025).

Statewide Systems

Employees Retirement System (ERS)

[SB 346 – Court Fees Allocated to LECOS \(Zaffirini\)](#)

Status: Filed without the Governor's Signature and will become effective 1/1/2020.

The bill amends Local Government Code Section 133.102 to change court costs for various levels of convictions and reallocate the proceeds among several state agencies, including LECOSRF . The bill reduces the minimum percentage that could be allocated to LECOSRF, a supplemental plan of the Employees Retirement System (ERS), from 11.1426% to 7.2674%.

[HB 3522 – Death Benefits Payable by ERS \(Murphy\)](#)

Status: Signed by the Governor on 6/14/2019 and will become effective September 1, 2019, except Sections 1 and 2 will take effect January 1, 2020.

This bill allows for a beneficiary receiving a member or retiree death benefit from ERS to assign part or all of the benefit to a funeral director or funeral establishment for services provided in connection with the member's or retiree's death.

[SB 1598 – Hazardous Duty Pay for Texas Military Department Security Officers \(Hall\)](#)

Status: Signed by the Governor on 05/20/2019 and will become effective 9/1/2019.

The bill amends Section 659.301 of the Texas Government Code to include security officers of the Texas Military Department among the state employees eligible to receive hazardous duty pay. Allowing the Texas Military Department's security officers to receive hazardous duty pay could affect their retirement benefit because the new pay is considered compensation for benefit calculation purposes.

Judicial Retirement System I (JRS I), Judicial Retirement System II (JRS II) and ERS Elected Class

[HB 2384 – JRS I/II/ERS Elected Class Salary Restructure \(Leach\)](#)

Status: Signed by the Governor 6/14/2019 and will become effective 9/1/2019.

The bill establishes a tiered service- and position-based salary structure for judges and tie the salaries of district attorneys to this structure.

JRS I: The bill amends the JRS I governing statute to base the calculation of future retirement benefits on 120% of the State base salary.

JRS II: For JRS II, members who retire on or after the effective date of the bill will have their pension calculated using the salary structure at the time the judge retires. No future adjustments to the annuity will be made once the judge retires. The bill increases JRS II active member contributions from 7.5% to 9.5% of pay for service after September 1, 2019.

ERS Elected Class: The bill amends ERS retirement benefits for elected class so that their pensions are based on the restructured definition of the base salary of a district court judge.

TCDRS: The bill increases the salary of a very small number of county judges.

Statewide Systems

Texas Municipal Retirement System (TMRS)

[SB 1337 – TMRS Omnibus Bill \(Huffman\)](#)

Status: Signed by the Governor on 6/14/2019 and will become effective 1/1/2020.

The bill makes several updates to the TMRS governing statute relating to credit in, benefits from, and administration of TMRS. Three main changes could potentially impact the actuarial results of the System:

Amortization periods. The bill clarifies that the maximum amortization period for a city's actuarial accrued liability is 30 years in all cases, while adding language to clarify the Board's authority concerning setting the actual funding policy.

Prior Service Credit (PSC). The bill decreases the minimum allowable PSC to 0% (from the current 10%) in certain situations and eliminates use of PSC in the ongoing Update Service Credit calculation for TMRS members receiving the 0% PSC.

Occupational Disability. The bill updates provisions relating to post-disability evaluations, most specifically removing any earnings tests.

Texas Emergency Services Retirement System (TESRS)

[HB 3247 – TESRS Omnibus Bill \(Martinez\)](#)

Status: Signed by the Governor on 6/14/2019 and will become effective 9/1/19.

In addition to making various administrative changes, the bill broadens the definition of "participating department" to include not-for-profit entities that perform emergency services and expands the definition of eligible members to include any person who performs emergency or support services as a volunteer or paid emergency employee for a participating department.

The bill also permits the TESRS Board of Trustees to adopt rules allowing a participating department to terminate participation from the System in "a manner that maintains an actuarially sound pension system."

[SB 619 – Sunset Date Change \(Birdwell, Buckingham, Hall, Nichols and Watson\)](#)

Status: Signed by the Governor on 6/10/2019 and became effective immediately.

TESRS will be subject to Sunset review in 2029 (previously 2025).

Local Systems

Galveston Police Retirement System

[HB 2763 - Galveston Police Retirement System \(Flynn\)](#)

Status: Signed by the Governor on 6/14/2019 and became effective immediately.

Return Assumption. The Plan's assumed rate of return is set at 7% to be used in preparation of any actuarial valuation conducted on or after September 1, 2019 and before January 1, 2020. All subsequent rates of return adopted by the board shall be reviewed as part of each annual valuation.

Contributions. Employee contributions are set at a rate of 12% of pay, which reflects their current contribution rate, through 2024 but could be modified after 2025.

The City contribution is set to 18% of pay through 2024 but could be modified after 2025. The City contribution must be made not later than the 15th business day following the beginning of the City's fiscal year (October 1). Not later than December 31, the City is required to calculate the difference, if any, between actual payroll for the previous fiscal year, and the assumed payroll used to determine the amount the City contributed to the Plan, and contribute to the Plan the calculated difference multiplied by the City's contribution rate.

Funding Policy. The bill adds a funding mechanism to determine future contribution rates according to an actuarially determined contribution rate (ADCR). The ADCR is defined as a 30-year closed, layered amortization period. Beginning January 1, 2025, if the actuarial valuation recommended an ADCR that exceeded the aggregate (employee and City) contribution rate, the excess contribution will be split equally as a percentage of pay between the City and employee contribution rates.

Modification of benefits, member qualifications, benefit eligibility requirements, and contribution rates requires approval of six trustees. The board will not be able to lower or remove contributions and/or increase or add new benefits if, as a result, the amortization period increased over 25 years. The board of trustees will not be able to modify the contribution rates set in statute before January 2025.

Governance. The bill increases the Plan's board composition to eight members, including the president of the municipality's police association (or the president's designee), three trustees elected by members of the Plan and four designated by various representatives of the City. The bill adds qualifications for trustees, which will require trustees to have financial, accounting, business, investment, budgeting, or actuarial experience; a bachelor's degree from an accredited institution of higher education; or be vetted to verify they are capable of performing the duties of a trustee. The trustees are required to undergo training in the laws governing the Plan's operations; the programs, functions, rules, and budget of the Plan; the scope and limitations on the rulemaking authority of the board; the results of the Plan's most recent actuarial valuation; and the laws applicable to a trustee in performing their duties.