

Summary of Retirement Changes included in SB 1459

5/21/2013 UPDATE

The following reflects the decisions made through final passage of Senate Bill (SB) 1459 by the Texas House of Representatives on May 21, 2013. SB 1459 will now be sent to the Governor for consideration. NOTE: As described below, no current employees would be impacted by these proposed retirement provisions; however, the proposed retiree health insurance provisions may impact a small number of employees.

PROPOSED RETIREMENT PROVISIONS:

- For current state employees, existing retirement provisions remain intact.
 - The following new retirement provisions would impact **only** state employees hired on or after September 1, 2013:
 - Employees who retire before age 62 (for LECOS employees, before age 57) will have their annuity permanently reduced by 5% per year for each year they are below that age.
 - Retirement benefits are based on the final average of highest 60 months of salary.
 - Unused sick and vacation leave can no longer be used to meet retirement eligibility.
 - Can use vacation leave to either (but not both):
 - Enhance the service time for the calculated retirement benefits, after meeting retirement eligibility
 - Receive leave in lump sum payment upon retirement
-

PROPOSED RETIREE HEALTH INSURANCE PROVISIONS:

- For state employees who do not have **5 years** of service credit on or before September 1, 2014, the state contribution for health insurance upon retirement will be:
 - 100% only for people who retire with 20+ years of service
 - 75% for people who retire with 15-20 years of service
 - 50% for people who retire with less than 15 years of service

The state contribution for health insurance dependent coverage would be reduced in an amount proportionate with the reduction.

OTHER SELECTED PROVISIONS OF THE BILL:

- 1.0% increase to the employee retirement contribution, phased-in over the next four years
for non-LECOS employees: from 6.5% to 6.6% in FY 2014 and 6.9% in FY 2015
for LECOS employees: from 7.0% to 7.1% in FY 2014 and 7.4% in FY 2015
- 0.5% state agency contribution to ERS retirement funds
- Separation of the ERS funds for LECOS employees and non-LECOS employees into two distinct retirement plans