TPEA Legislative Accomplishments for 2013

Strengthened our Traditional Retirement Plan without Hurting Current Employees

The 83rd Legislature remained committed to the ERS pension plan as a tool that will continue to attract and retain a quality state workforce. Legislative leaders recognized that chronic underfunding by past legislatures must be reversed in order to bring the fund into actuarial soundness – not only to preserve the fund for future retirees, but also to enable ERS to issue an annuity increase or a 13th check to current retirees. While there is authorization for a 3% COLA for ERS retirees who have been retired for 20 or more years, this provision cannot be implemented until the ERS fund meets the statutory definition of actuarial soundness, both before and after the granting of such a COLA. TPEA is hopeful the ERS Board will exercise its existing authority to grant a 13th check to all retirees as soon as the actuarial condition of the fund will allow it do so.

Legislative leaders initially proposed a funding plan that relied on savings from retirement eligibility changes for current employees. This plan would have changed eligibility requirements for many current employees, preventing retirement before age 62 or see a reduction in pension payments by 5% for every year of early retirement (5% reduction at age 61, 10% reduction at age 60…) Using member feedback as well as developing proposals for alternative sources of funding, TPEA worked with legislators to grandfather all current employees from the eligibility changes. TPEA also helped to develop the following funding streams that set the pension fund on course toward actuarial soundness:

- Employee contribution rate increases: .1% in 2014, and another .3% in 2015. Additional rate increases in the 2016/2017 biennium will eventually raise the employee contribution rate to 7.5%
- State contribution rate increases: 1% in 2014, bringing the rate to 7.5%
- State agencies' contribution of .5% of payroll.

Adjusted Employee Pay to Maintain Productivity and Prevent Turnover

The budget included a salary increase for general state employees of 1% in fiscal year 2014 (FY 2014) with a $50 monthly minimum. In FY 2015, employees will receive an additional 2% increase with an additional $50 monthly minimum for an net total of 3% with $100 minimum by the second year. Schedule Cs will receive a 5% salary increase with an equity adjustment in FY 2014, which will be continued in 2015.

A number of classes of employees were given targeted pay raises in response to areas with significant turnover or vacancies. Those include:

- A 10% pay increase for direct care workers at the State Supported Living Centers at the Department of Aging and Disability Services (DADS);
- Funding for a career ladder for workers at the Department of Family and Protective Services (DFPS);
- Funding for a pay increase for psychiatric nursing assistants at State Hospitals at the Department of State Health Services (DSHS);
- Funding for a pay increase for legal and non-legal positions at the Supreme Court of Texas, the Court of Criminal Appeals, and the 14 Courts of Appeals;
- Funding for a pay increase for court coordinators in child support and child protective courts;
- A 5% career ladder pay increase for correctional officers at the Texas Department of Criminal Justice and the Juvenile Justice Department;
- Funding for market-level salary adjustments for correctional managed healthcare provider staff at UTMB and TTUHSC for correctional managed care; and
- Funding for a pay increase for certain employees at the Railroad Commission.

All increases will go into effect in September and appear in October 1 paychecks.

In addition, TPEA helped pass a proposal that would trigger an automatic salary study when an agency experiences more than 17% turnover, in order for agency and legislative leadership to better understand the role that salary plays in retaining employees.

Maintained Affordable Health Care Coverage

For the first time in many years, most state employees* can expect no change in healthcare benefits. State employees continue to view the current healthcare plan as an important part of the package of benefits they enjoy in exchange for relatively lower salaries as compared to the private sector. TPEA worked to preserve this important benefit in the future for current and retired state employees and blocked legislation that would have undermined the Group Benefits Plan by creating a high-deductible health plan with a Health Savings Account.

* For those employees who have not yet reached 5 years of service by September 1, 2014, SB 1459 implemented a tiered retirement premium contribution upon retirement, based on the following years of service:

- 10 Years of Service – 50% state contribution
- 15 Years of Service – 75% state contribution
- 20 Years of Service – 100% state contribution

OFFICE OF INJURED EMPLOYEE COUNSEL
NORMAN DARWIN, PUBLIC COUNSEL

MEMORANDUM

DATE: **July 11, 2013**

TO: **MACC Members**

FROM: **Brian White, Deputy Public Counsel/Chief of Staff**
Office of Injured Employee Counsel

RE: **83rd Texas Legislature: Pay Increase for State Employees and ERS Changes**

The 83rd Legislature approved a one percent across-the-board salary increase for all state employees at a minimum of $50, which will go into effect on September 1, 2013 and will show up on the October 1, 2013 paychecks; and a two percent increase for all state employees at a minimum of $50, which will go into effect on September 1, 2014 and will show up on the October 1, 2014 paychecks. The across-the board salary increase is not provided to employee classifications that will receive specific pay increases such as direct care workers and correctional officers.

SB 1459 made several changes to the Employees Retirement System (ERS); however, the bill "grandfathered" all current employees and new employees that are hired before September 1, 2013. The bill increased the amount that a state employee pays into the Retirement Fund each month. Currently, 6.5% of a state employee's salary is taken out of their paycheck each month and is deposited into their retirement account. As of September 1, 2013, 6.6% will be taken out, and for the next three years, the percentage is increased as follows:

- beginning September 1, 2014, the percentage increases to 6.9%;
- beginning September 1, 2015, the percentage increases to 7.2%; and
- beginning September 1, 2016, the percentage increases to 7.5%.

SB 1459 also decreased from 40 to 30 the minimum hours per week an employee must work to be considered a "full time employee" for purposes of the Texas Employees Group Benefits Act, and raised from 25 to 26 the age when the coverage under the Texas Employees Group Benefits Act for a dependent child who is unmarried ends.

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ERS
EMPLOYEES RETIREMENT SYSTEM OF TEXAS

The 83rd Legislative Session Brings Changes to ERS Benefits

This legislative session brought some changes to the benefits programs that ERS manages. The intent of the changes in Senate Bill 1459 and applicable changes in Senate Bill 1 are to preserve these valuable benefits for more than half a million State of Texas employees, retirees, and dependents. The most noted change is to the retirement annuity benefit for new employees. Other changes include a tiered insurance contribution for retirees based on years of service, a tobacco certification requirement for everyone enrolled in health insurance, and a change in the health coverage waiting period for new employees.

Please review the charts below for information on the retirement and insurance changes. For more information you can also visit the ERS legislative webpage at **www.ers.state.tx.us/About_ERS/Legislative** and the Texas Legislature Online at **www.capitol.state.tx.us**.

Insurance Changes

What changed?	How did it change?	Who is affected?	When is it effective?
Insurance state contribution for retirees changes	The insurance state contribution for retirees changes based on years of service. This change rewards long-term employees by providing them with a higher contribution toward health insurance premiums in retirement. As a full-time[1] employee, if you have at least: • 10 years of service, you receive a 50% employee and 25% dependent contribution. • 15 years of service, you receive a 75% employee and 37.5% dependent contribution. • 20 years or more of service, you receive a 100% employee and 50% dependent contribution. If you have less than 10 years of service, you are not eligible for insurance at retirement.	GBP members with less than five years[2] of GBP participation on 8/31/2014	9/1/2014
Tobacco certification required	You must certify tobacco use or non-use. Starting September 1, 2013, you will be charged an extra $30 for each person age 18 and over who is enrolled in your GBP health plan (up to a maximum of $90 per month), unless you certify them as a non-tobacco user.	All GBP members and dependents	9/1/2013
Definition of a "full-time" employee changes	The definition of a full-time employee for benefit purposes is changing. As of 9/1/2013, a full-time employee is an individual designated by his or her employer as working 30 hours or more per week. If you work 30 hours or more per week in a benefits-eligible position, you will receive the full state contribution for your health insurance premium.	Employees	9/1/2013
Health coverage waiting period decreases	As a new employee, your health coverage begin date is the first of the month following your 60th day of employment, not to exceed 90 days.	New employees hired on 9/1/2014 and after	9/1/2014

[1]Part-time employees receive half the contribution of a full-time employee.
[2]You must have 10 years of GBP participation to be eligible for insurance at retirement.

State agencies will contribute 0.5% of payroll from their agency appropriation to the retirement program and GBP employers will contribute 1.0% of payroll from their employer budget to the GBP insurance fund in fiscal years 2014 and 2015.

Retirement Changes

What changed?	How did it change?	Who is affected?	When is it effective?
Retirement annuity benefit	As of September 1, 2013, new employees without an existing ERS retirement account from previous state employment will have different retirement eligibility rules. You will still be required to meet the Rule of 80 (service credit and age must equal 80) to be eligible to retire, but you will need to be a certain age to receive full retirement benefits. Retirement age for members of the regular service retirement is 62. Retirement age for members of the Law Enforcement and Custodial Officers Supplemental Retirement Fund (LECOSRF) is 57. If you meet the rule of 80 prior to the retirement age, you will see a 5% reduction in your annuity amount for each year you retire prior to your retirement age. In addition, you cannot use of any of your leave to count toward retirement eligibility. Other changes are regarding the amount of the annuity: • Your highest 60 months of salary are used to calculate your annuity. • You can use your unpaid sick leave to help increase your annuity. • You will have a choice to receive a lump sum payment of your unused vacation leave or request that it count towards your annuity calculation. If you choose to receive a lump sum payment of your unused vacation leave, you cannot use it to help increase your annuity. Vacation accrual that is not paid in lump sum will count towards your annuity amount.	New employees hired 9/1/2013 and after	9/1/2013
Interest earned on non-refunded service decreases	You will earn 5% interest on your account through 12/31/2013. Beginning 1/1/2014 and going forward, you will earn 2% interest.	Everyone who withdraws their account balance after 1/1/2014	1/1/2014
Employer retirement contribution increases	The State continues its 6.5% contribution to the ERS retirement fund from ERS retirement appropriations, and adds an additional 0.5% from agency appropriations. An additional 1% from unexpended 2013 ERS appropriations may be added to the FY 2014 ERS retirement appropriation for a total state contribution of 8%.	Employers	9/1/2013
	The State increases its contribution to the ERS retirement fund by 1% to 7.5% from ERS retirement appropriations, and an additional 0.5% from agency appropriations for a total state contribution of 8%.		9/1/2014
Employee retirement contribution increases	Your retirement contribution will increase by 0.1% to 6.6%.	Employees	9/1/2013
	Your retirement contribution will increase by 0.3% to 6.9%.		9/1/2014

Senate Bill 366 requires the Texa$aver program to allow conversion of balances from other qualified plans, such as a 401(k), into a Texa$aver Roth account.