

BILL ANALYSIS

H.B. 1822
By: Kuempel
Pensions & Investments
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The Texas Municipal Retirement System provides retirement, disability retirement, and death benefits for municipal employees. As proposed, HB 1822 allows the System to conform to federal law, eliminates the restrictive investment list and adds prudence standards found in the Texas Constitution and trust law, increases the death benefit for retirees, makes changes for member service credit and retirement application, clarifies the Board's responsibilities, and makes administrative changes. These amendments respond to the changing needs of over 130,000 retirees and city workers across Texas.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the board of trustees of the Texas Municipal Retirement System in SECTION 1, Section 851.001 (6), Government Code; SECTION 4, Section 852.103(b), Government Code; SECTION 6, Section 852.110(a), Government Code; and SECTION 10, Section 854.003, Government Code, of this bill.

ANALYSIS

SECTION 1. Amends Section 851.001(6), Government Code, to allow the board of trustees of the Texas Municipal Retirement System (TMRS) by rule to increase the limit of compensation that is subject to TMRS deductions as the result of changes in federal law.

SECTION 2. Amends Section 851.002, Government Code, to add language that replicates the Texas Constitution and the Internal Revenue Code for a tax-qualified plan that prohibits assets of the trust from being diverted for other purposes and to add language required by IRS that provides that a forfeiture of money to TMRS cannot be used to increase benefits.

SECTION 3. Amends the heading of Section 852.103, Government Code to include **ROLLOVER DISTRIBUTIONS**.

SECTION 4. Amends Section 852. 103(b), Government Code, to allow a person receiving certain distributions from TMRS, to have those distributions transferred to an eligible retirement plan. Requires that the system comply with the Internal Revenue Code and allows TMRS to adopt rules to implement this provision.

SECTION 5. Adds Subsection (e) to Section 852.104, Government Code, to provide that a member of the retirement system does not experience a break in service that could result in a termination of membership during an absence covered under the federal Family and Medical Leave Act (FMLA) that does not exceed 12 weeks.

SECTION 6. Amends Section 852.110, Government Code to allow the TMRS board by rules adopted by the board to create a simplified method for correction of the amount and value of current and

prior service credit for members of the system, while retaining the current law four-year limitation on the corrections.

SECTION 7. Adds Subsection (g) to Section 853.305, Government Code, to provide that members may receive restricted prior service credit for any governmental service if they were employees of a municipality at the time the ordinance is adopted, regardless of their current employment status.

SECTION 8. Amends Section 853.502(b), Government Code, to reduce the amount of municipal service a member has to perform before applying for credit for military service from 10 to 5 years.

SECTION 9. Amends Section 853.504(b), Government Code, to eliminate the monetary deposit of \$15 for each month of military service credit claimed.

SECTION 10. Amends Section 854.003, Government Code, to provide that the effective date of disability retirement must be the last day of a calendar month, replace detailed minimum distribution requirements for a retiree or beneficiary with a requirement that the distributions conform to current IRS requirements, authorize the TMRS board to adopt rules to comply with those requirements, and rearrange the section of law appropriately.

SECTION 11. Amends Section 854.006(d), Government Code, to replace Texas Administrative Code references with references to the statutory retirement options and to conform that provision with changes made by the 77th Legislature, Regular Session, 2001.

SECTION 12. Amends Section 854.101, Government Code, to reduce the minimum period for a member to submit an application for service retirement from at least 30 days before retirement to any time up to the effective date of retirement.

SECTION 13. Amends Section 854.301(b), Government Code to reduce the minimum period for a member to submit an application for disability retirement from at least 30 days before retirement to any time up to the effective date of retirement.

SECTION 14. Amends Section 854.408(a), Government Code, to make standard occupational disability retirement selections identical to the selections available to service and other disability retirees.

SECTION 15. Amends Section 854.410(c), Government Code, to make occupational disability retirement selections identical to the selections available to service and other disability retirees.

SECTION 16. Amends Section 854.604, Government Code, to increase the lump-sum death benefit for retirees from \$5,000 to \$7,500.

SECTION 17. Amends Section 855.301(a), Government Code, to delete the restrictive list of permissible investments, long-since deleted for other public retirement systems, with the investment standard ("the prudent person rule") required by the Texas Constitution and defines that standard.

SECTION 18. Amends Section 855.303, Government Code, to provide standards for investments as provided in the Texas Trust Code.

SECTION 19. Amends Section 855.306(a), Government Code, to eliminate the deposit of a member's contribution for military credit to the member's account to conform to changes in Section 9 of the bill.

SECTION 20. Amends Section 855.604, Government Code, to clarify that the TMRS board in its sole discretion to approve a merger must be consistent with its fiduciary responsibilities.

SECTION 21. Amends Section 855.608, Government Code, to conform to Internal Revenue Code requirements that provide that payments under the plan in this section be made from a separate fund.

SECTION 22. Provides that Section 854.604, as amended by the bill, applies only to deaths that occur on or after the effective date of the Act and that prior law covers previous deaths.

SECTION 23. Repeals Section 855.302, Government Code.

SECTION 24. Effective date.

EFFECTIVE DATE

This Act takes effect January 1, 2004.