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H.B. No. 633

A BILL TO BE ENTITLED

1 AN ACT

2 relating to participation and credit in, contributions to, and  
3 benefits and administration of the Texas County and District  
4 Retirement System.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 75.112(c), Government Code, is amended  
7 to read as follows:

8 (c) A senior district court judge appointed under this  
9 subchapter who is not a retiree of the Texas County and District  
10 Retirement System is subject to the conditions for membership in  
11 that retirement system during the period the appointment is in  
12 effect that are provided by Section 842.107 [~~Sections 842.201,~~  
13 ~~842.202, and 842.203~~]. If a senior district court judge begins,  
14 retains, or resumes membership in the Texas County and District  
15 Retirement System, the judge accrues service credit in that  
16 retirement system for each month of membership in which the  
17 appointment is in effect.

18 SECTION 2. Sections 841.001(8) and (17), Government Code,  
19 are amended to read as follows:

20 (8) "Employee" means a person, other than a person  
21 determined by a subdivision to be a temporary employee, who is  
22 certified by a subdivision as being employed in, or elected or  
23 appointed to, a position or office in the subdivision [~~that~~  
24 ~~normally requires services from the person for not less than 900~~

1 ~~hours a year and]~~ for which the person is compensated by the  
2 subdivision. The term includes a person described by Section  
3 842.107 only as provided by that section [~~employed on a~~  
4 ~~probationary basis, except as provided by Section 842.107]~~.

5 (17) "Subdivision" means a political subdivision of  
6 the state that is not eligible to participate in any other statewide  
7 retirement system or that is not currently participating in a  
8 retirement system established by the legislature. The term  
9 includes [~~county, a political unit that consists of all of the~~  
10 ~~geographical area of one county or of all or part of more than one~~  
11 ~~county, a political unit of a county that has taxing authority, an~~  
12 ~~authority created by the state to conduct redevelopment activities~~  
13 ~~on or related to closed military installations of the United~~  
14 ~~States, a crime control and prevention district,~~] the Texas  
15 Association of Counties, the Texas County and District Retirement  
16 System, and [~~or a city and county that jointly operate]~~ a  
17 city-county hospital jointly managed under Subchapter B, Chapter  
18 265, Health and Safety Code. The term[~~, but~~] does not include a  
19 branch, division, department, employee classification group, or  
20 other separately identified component of a political subdivision  
21 [~~an incorporated city or town, a school district, or a junior~~  
22 ~~college district]~~.

23 SECTION 3. Subchapter A, Chapter 841, Government Code, is  
24 amended by adding Section 841.0051 to read as follows:

25 Sec. 841.0051. VENUE. (a) The venue of any action brought  
26 against the retirement system in a state court or before the State  
27 Office of Administrative Hearings is in Travis County.

1        (b) The venue of any action brought in a state court by the  
2 retirement system is in Travis County or in the county in which the  
3 defendant is situated, domiciled, or does business.

4        SECTION 4. Section 841.010(b), Government Code, is amended  
5 to read as follows:

6        (b) The entire vested interest of a participant must be  
7 distributed or begin to be distributed not later than the required  
8 beginning date as determined in accordance with Section 401(a)(9)  
9 of the Internal Revenue Code of 1986 and the regulations adopted  
10 under that provision [~~April 1 following the later of the year in~~  
11 ~~which the participant attains age 70-1/2 or the year in which the~~  
12 ~~participant separates from service with all participating~~  
13 ~~subdivisions~~]. If the participant dies after distribution of the  
14 participant's interest has begun, the remaining portion of the  
15 interest will continue to be distributed at least as rapidly as the  
16 method of distribution being used before the participant's death.  
17 If the participant dies before distribution of the participant's  
18 interest begins, distribution of the participant's entire interest  
19 must be made in a manner complying with Section 401(a)(9)(B) of the  
20 code.

21        SECTION 5. Subchapter A, Chapter 842, Government Code, is  
22 amended by adding Section 842.0075 to read as follows:

23        Sec. 842.0075. ASSUMPTION BY SUCCESSOR SUBDIVISION. (a)  
24 The governing body of a participating subdivision may, with the  
25 consent of the board of trustees and on terms approved by the board,  
26 assume the subdivision account and pension liabilities of a  
27 subdivision that no longer exists, is in the process of

1 dissolution, is changing its operational form, or no longer has  
2 employees. The account and pension liabilities of a subdivision  
3 described by this subsection may not be assumed if the subdivision  
4 has executed a voluntary termination agreement under Section  
5 842.052 or if the board has specified a date under Section 842.053  
6 for the involuntary termination of the subdivision's participation  
7 in the retirement system.

8 (b) Subject to any limitation set by the board of trustees,  
9 the governing body of the assuming subdivision may exercise any  
10 authority with respect to plan provisions applicable to members and  
11 annuitants of the subdivision plan being assumed that the governing  
12 body of that subdivision could have exercised.

13 (c) Except as otherwise provided by this section, all  
14 retirement plan provisions in effect on the assumption date remain  
15 in effect until changed by the governing body of the assuming  
16 subdivision.

17 (d) As of the assumption date, the account in the  
18 subdivision accumulation fund being assumed and the account of the  
19 assuming subdivision will be treated as one account for the  
20 purposes of receiving allocations under this subtitle and paying  
21 benefits accrued with respect to either subdivision.

22 (e) The retirement system is not liable to any person for  
23 any claim or loss of benefits resulting from the assumption by  
24 another participating subdivision of the account and pension  
25 liabilities of a subdivision described by Subsection (a).

26 (f) The board of trustees by rule may establish standards,  
27 definitions, and procedures it considers necessary to administer

1 this section and shall take reasonable actions and exercise its  
2 discretion in a fair and equitable manner on a case-by-case basis to  
3 preserve accrued benefits.

4 SECTION 6. Chapter 842, Government Code, is amended by  
5 adding Subchapter A-1 to read as follows:

6 SUBCHAPTER A-1. TERMINATION OF PARTICIPATION BY SUBDIVISIONS

7 Sec. 842.051. GENERAL PROVISIONS. (a) Notwithstanding any  
8 provision of this subchapter to the contrary, to the extent  
9 required by applicable provisions of the Internal Revenue Code of  
10 1986, on termination of a subdivision's participation in the  
11 retirement system or on complete discontinuance of contributions,  
12 each member becomes fully vested in the member's accrued benefit  
13 with respect to the subdivision to the extent funded as of the date  
14 of termination or contribution discontinuance.

15 (b) The retirement system is not liable to any person for  
16 any claim or loss of benefits resulting from the termination of a  
17 subdivision's participation in the system or the failure of a  
18 subdivision to make required contributions or payments under a  
19 termination agreement.

20 (c) The board of trustees by rule may establish standards,  
21 definitions, and procedures it considers necessary to administer  
22 this subchapter and shall take reasonable actions and exercise its  
23 discretion in a fair and equitable manner on a case-by-case basis to  
24 preserve accrued benefits.

25 Sec. 842.052. VOLUNTARY TERMINATION OF PARTICIPATION. (a)  
26 With the consent of the board of trustees, a subdivision other than  
27 a county may voluntarily terminate its participation in the

1 retirement system if the subdivision agrees to be contractually and  
2 legally bound, on terms approved by the board, to fund:

3 (1) all benefits accrued before the date specified in  
4 the termination agreement and payable on or after that date in  
5 accordance with Subsection (e); and

6 (2) all supplemental annuities.

7 (b) Beginning with the date specified in the termination  
8 agreement, additional employee contributions or deposits may not be  
9 made to a member's account and additional service with the  
10 subdivision may not be credited to a member, except as authorized by  
11 the board. Except as otherwise provided by this section, all other  
12 retirement plan provisions then in effect remain in effect.

13 (c) Beginning with the date specified in the termination  
14 agreement, the subdivision's account in the subdivision  
15 accumulation fund ceases to receive allocations under this subtitle  
16 for any prior, current, or future plan year, except as authorized by  
17 the board.

18 (d) On full performance of the termination agreement, the  
19 subdivision is released from all liability for its accrued benefits  
20 and supplemental annuities. The retirement system shall make  
21 transfers from the subdivision's account to the appropriate funds  
22 within the system in amounts actuarially equivalent to the accrued  
23 benefits and supplemental annuities. The retirement system shall  
24 pay any amounts remaining in the subdivision's account after  
25 satisfaction of all the subdivision's pension liabilities to the  
26 subdivision or its successor in interest in accordance with Section  
27 845.317(b).

1       (e) On full performance of the termination agreement, each  
2 member who has not received a refund of accumulated contributions  
3 becomes fully vested in the member's accrued benefits with respect  
4 to the subdivision and is immediately eligible to retire with a  
5 service retirement annuity or to take a distribution of the accrued  
6 benefits in a lump sum, regardless of age, service, or employment.

7       (f) A member vested under Subsection (e) or Section  
8 842.051(a) is an eligible member under Section 844.407. For the  
9 purpose of determining any death benefit payable under Section  
10 844.402, the member's individual account consists only of the  
11 deposits and contributions made by the member and the accumulated  
12 interest attributable to those amounts.

13       Sec. 842.053. INVOLUNTARY TERMINATION OF PARTICIPATION.

14       (a) The board of trustees by order may terminate the participation  
15 of a subdivision other than a county if the board determines that:

16               (1) the subdivision has failed to perform in  
17 accordance with a termination agreement under Section 842.052;

18               (2) the subdivision has ceased to exist, is in the  
19 process of dissolving, or is changing its operational form;

20               (3) benefits accrued for service with the subdivision  
21 may be at risk of forfeiture;

22               (4) the retirement system no longer serves as an  
23 effective program for providing retirement, disability, and death  
24 benefits to the employees of the subdivision because of the action  
25 or inaction of the subdivision or because of a significant change in  
26 covered payroll, number of contributing members, workforce  
27 composition, general revenues, or other circumstances of the

1 subdivision; or

2 (5) the continued participation of the subdivision is  
3 not in the best interest of the retirement system, the subdivision,  
4 the employees of the subdivision, or the other participating  
5 subdivisions.

6 (b) Beginning with a date specified by the board, additional  
7 employee deposits or contributions may not be made to a member's  
8 account with the subdivision and additional service with the  
9 subdivision may not be credited to a member, except as authorized by  
10 the board. Except as otherwise provided by this subchapter, all  
11 other retirement plan provisions then in effect remain in effect.

12 (c) Beginning with a date specified by the board, the  
13 subdivision's account in the subdivision accumulation fund ceases  
14 to receive allocations under this subtitle for any prior, current,  
15 or future plan year except as authorized by the board.

16 (d) Beginning with a date specified by the board, the  
17 retirement system shall value the accrued benefits and supplemental  
18 annuities with respect to the subdivision's participation as  
19 immediately payable under this subchapter. If the assets in the  
20 subdivision's account exceed the actuarial equivalent value of  
21 pension benefits, the subdivision is released from all liability  
22 with respect to the accrued benefits and supplemental annuities.  
23 The retirement system shall make transfers from the subdivision's  
24 account to the appropriate funds within the system in amounts  
25 actuarially equivalent to all accrued benefits and supplemental  
26 annuities. The retirement system shall pay any amount remaining in  
27 the subdivision's account after satisfaction of all the



1 subdivision's pension liabilities to the subdivision or its  
2 successor in interest in accordance with Section 845.317(b).

3 (e) If the actuarial equivalent value of pension benefits  
4 exceeds the assets in the subdivision's account, the subdivision or  
5 its successor in interest may make a contribution in any amount to  
6 the subdivision's account. The retirement system shall transfer  
7 the assets of the subdivision's account in the subdivision  
8 accumulation fund to appropriate funds within the system and  
9 allocate the assets as provided by Sections 842.054-842.057.

10 Sec. 842.054. CLASS A. In a case of involuntary termination  
11 under Section 842.053, the retirement system shall make a  
12 proportionate transfer to the individual account of each member of  
13 the subdivision eligible to retire based on the ratio that the  
14 member's current service credit bears to the total current service  
15 credit of the class. The transfer to a member's individual account  
16 may not exceed 100 percent of the member's current service credit.

17 Sec. 842.055. CLASS B. If any assets remain after the  
18 transfers are made under Section 842.054, the retirement system  
19 shall make a proportionate transfer to the individual account of  
20 each member of the subdivision not eligible to retire based on the  
21 ratio that the member's current service credit bears to the total  
22 current service credit of the class. The transfer to a member's  
23 individual account may not exceed 100 percent of the member's  
24 current service credit.

25 Sec. 842.056. CLASS C. If any assets remain after the  
26 transfers are made under Sections 842.054 and 842.055, the  
27 retirement system shall make a transfer to the current service

1 annuity reserve fund in an amount computed as necessary to fund the  
2 supplemental annuities of the annuitants of the subdivision and a  
3 transfer to the individual account of each member of the class  
4 eligible to retire in an amount that equals the multiple matching  
5 credits and prior service credits of the member. If necessary, the  
6 retirement system shall proportionately reduce an individual's  
7 total credits or supplemental annuity, as applicable, based on the  
8 ratio that the individual's total actuarial equivalent of benefits  
9 described by this section bears to the aggregate total actuarial  
10 equivalent of all those benefits of the class.

11 Sec. 842.057. CLASS D. If any assets remain after the  
12 transfers are made under Sections 842.054, 842.055, and 842.056,  
13 the retirement system shall make a proportionate transfer to the  
14 individual account of each member not eligible to retire based on  
15 the ratio that the sum of the member's multiple matching credits and  
16 prior service credits bears to the total multiple matching credits  
17 and prior service credits of the class. The transfer to a member's  
18 individual account may not exceed 100 percent of the member's  
19 multiple matching credits and prior service credits.

20 Sec. 842.058. BENEFITS. (a) After the transfers,  
21 allocations, and any necessary reductions described by Sections  
22 842.054-842.057 have been made, each member who has not received a  
23 refund of accumulated contributions becomes fully vested in the  
24 member's accrued benefits with respect to the subdivision to the  
25 extent funded and is immediately eligible to retire with a service  
26 retirement annuity or to take a distribution of the accrued  
27 benefits in a lump sum, regardless of age, service, or employment.

1        (b) A member vested under this section or Section 842.051(a)  
2 is an eligible member under Section 844.407. For the purpose of  
3 determining any death benefit payable under Section 844.402, the  
4 member's individual account consists only of the deposits and  
5 contributions made by the member and the accumulated interest  
6 attributable to those amounts.

7        SECTION 7. Sections 842.101(a) and (b), Government Code,  
8 are amended to read as follows:

9        (a) Except as otherwise provided by this subchapter, a  
10 person who is not a member becomes a member of the retirement system  
11 on the latest of [if]:

12            (1) ~~[on]~~ the date the subdivision's participation in  
13 the retirement system becomes effective, if the person is a  
14 subdivision employee on that date;

15            (2) the date ~~[before September 1, 1987, and after the~~  
16 ~~date the subdivision's participation in the retirement system~~  
17 ~~became effective,~~] the person becomes ~~[became]~~ a subdivision  
18 employee ~~[and was less than 60 years old at the time of employment];~~  
19 or

20            (3) January 1, 2006, if the person is an employee of a  
21 participating subdivision on that date and was previously excluded  
22 from retirement system membership ~~[after August 31, 1987, and after~~  
23 ~~the date the subdivision's participation becomes effective, the~~  
24 ~~person becomes a subdivision employee].~~

25        (b) Except as otherwise provided by this subtitle, the  
26 rights and benefits of a member are determined separately with  
27 respect to each subdivision with which the member has credited

1 service [~~A person to whom Subsection (a)(1) applies becomes a~~  
2 ~~member of the retirement system on the date the subdivision's~~  
3 ~~participation becomes effective, and a person to whom Subsection~~  
4 ~~(a)(2) or (a)(3) applies becomes a member of the retirement system~~  
5 ~~on the first day of the person's employment]~~.

6 SECTION 8. Section 842.105, Government Code, is amended to  
7 read as follows:

8 Sec. 842.105. STATUS AS AN EMPLOYEE. For the purposes of  
9 this subtitle, a person has the standing of an employee in a  
10 participating subdivision if the person is an employee, other than  
11 a temporary employee, of [+

12 [~~(1) is employed in a position that normally requires~~  
13 ~~services from the person for not less than 900 hours a year by]~~ a  
14 community supervision and corrections department that has executed  
15 a contract with the participating subdivision under Section 76.006,  
16 Government Code [~~, or~~

17 [~~(2) is eligible for optional membership in the~~  
18 ~~retirement system under Subchapter C]~~.

19 SECTION 9. Section 842.107, Government Code, is amended to  
20 read as follows:

21 Sec. 842.107. OPTIONAL [~~EXCEPTION TO GENERAL~~] MEMBERSHIP  
22 [~~REQUIREMENT~~]. (a) A subdivision may authorize to be a member of  
23 the retirement system a person who is accruing benefits in another  
24 statewide retirement system for service in an elected or appointed  
25 judicial or district office or as an employee of the state or a  
26 governmental unit of the state during the same period the person is  
27 receiving supplemental compensation from the subdivision. A person

1 described by this subsection who is first included for optional  
2 membership after December 31, 2005, may not contribute to the  
3 employees saving fund or receive any service credit for any  
4 supplemental compensation received before the date the subdivision  
5 makes the person eligible to become a member.

6 (b) The board by rule may establish reasonable restrictions  
7 and limitations on the granting of membership and service credit  
8 under this section [~~A subdivision that was participating in the~~  
9 ~~retirement system before January 1, 1987, and that had in effect~~  
10 ~~before that date and continues to have a policy of hiring new~~  
11 ~~personnel on a probationary basis for a specified period may~~  
12 ~~exclude new personnel from membership during the probationary~~  
13 ~~period but may not, for purposes of retirement system membership,~~  
14 ~~increase the length of the probationary period beyond the length of~~  
15 ~~the period in effect on January 1, 1987. The subdivision may reduce~~  
16 ~~or eliminate the period].~~

17 SECTION 10. Section 842.108, Government Code, is amended by  
18 amending Subsections (a) and (c) and by adding Subsection (a-1) to  
19 read as follows:

20 (a) A person, or the beneficiary of a person, whose  
21 membership terminated before January 1, 2005, as a result of  
22 absence from service may submit an application to withdraw all of  
23 the person's accumulated contributions attributable to the  
24 terminated membership.

25 (a-1) The accumulated contributions attributable to a  
26 terminated membership described by Subsection (a) are held by the  
27 retirement system in a noninterest-bearing account and may not be

1 considered deposits under Section 843.003 or 843.0031 until the  
2 person:

- 3           (1) again becomes a member;  
4           (2) is eligible under Section 843.003 or 843.0031; and  
5           (3) submits an application to the system.

6           (c) Except for a terminated membership described by  
7 Subsection (a), interest [~~Interest~~] is computed on the balance in  
8 the member's individual account in the employees saving fund on  
9 January 1 of the year of withdrawal through the month before the  
10 month in which the withdrawal occurs for a person described by  
11 Subsection (b) [~~and on January 1 of the year of membership~~  
12 ~~termination through the month before the month in which the~~  
13 ~~membership terminates for a person described by Subsection (a)~~  
14 ~~whose membership terminates after December 31, 1999].~~

15           SECTION 11. Sections 842.109(a) and (b), Government Code,  
16 are amended to read as follows:

17           (a) A person terminates membership in the retirement system  
18 by:

- 19           (1) death;  
20           (2) retirement from all participating subdivisions  
21 with which the person has service credit; or  
22           (3) withdrawal of all of the person's accumulated  
23 contributions [~~or~~  
24 [~~(4) absence from service for five consecutive years~~  
25 ~~before accumulating four or more years of credited service]].~~

26           (b) A person's membership in the retirement system may not  
27 extend beyond the required beginning date determined in accordance

1 with Section 841.010 [~~March 31 of the year following the later of~~  
2 ~~the year in which the person attains age 70-1/2 or the year in which~~  
3 ~~the person is no longer an employee of any participating~~  
4 ~~subdivision~~].

5 SECTION 12. Section 842.110, Government Code, is amended to  
6 read as follows:

7 Sec. 842.110. RESUMPTION OF SERVICE [~~WITH SAME EMPLOYER~~] BY  
8 RETIREE. (a) Except as provided by Subsection (b), a person who  
9 has retired from a participating subdivision with a service  
10 retirement annuity based on a bona fide termination of employment  
11 and with a break in service of not less than one calendar month  
12 resumes membership in the retirement system without suspension of  
13 the person's annuity if the person becomes an employee of any  
14 participating subdivision.

15 (b) A person who resumes employment with the same  
16 subdivision from which the person was previously employed and does  
17 not meet the requirements of Subsection (a) is considered not to  
18 have retired with respect to that subdivision. The person's  
19 service retirement annuity will be discontinued, the person's  
20 membership will be restored, and the person must return any  
21 payments received. Appropriate adjustments will be made for any  
22 amounts not returned.

23 (c) A membership established under the requirements of  
24 Subsection (a) is considered to be a new membership for the purposes  
25 of beneficiary determinations and benefit selections.

26 (d) After terminating employment with a participating  
27 subdivision, a member who has previously retired with a service

1 retirement annuity under this subtitle and who meets the  
2 requirements of Subsection (a) is eligible to apply for and receive  
3 an additional standard or optional service retirement annuity or a  
4 refund of the member's accumulated contributions for service with  
5 the subdivision, without regard to any age or credited service  
6 requirement, except as provided by Subsection (f).

7 (e) On the death of a member who meets the requirement of  
8 Subsection (d), a person may apply for and receive an optional  
9 service retirement annuity or a refund of the decedent's  
10 accumulated contributions in the manner provided by Subsection (d),  
11 except as provided by Subsection (f).

12 (f) The waiver of an age or credited service requirement  
13 under this section does not apply to a person who becomes eligible  
14 to retire solely as a result of a subdivision's termination of  
15 participation under Subchapter A-1, Chapter 842. [~~In this section,~~  
16 ~~"reemploying subdivision" is a subdivision for which a person~~  
17 ~~previously has performed creditable service and is receiving or~~  
18 ~~would receive a retirement annuity except for this section.~~

19 ~~[(b) A person who has retired with a service retirement~~  
20 ~~annuity under this subtitle shall, if the person later becomes an~~  
21 ~~employee of a reemploying subdivision, become a member of the~~  
22 ~~system on the date of reemployment, but credits and benefits~~  
23 ~~payable to the person under this subtitle are limited as provided by~~  
24 ~~this section.~~

25 ~~[(c) The retirement system shall suspend payments of each~~  
26 ~~service retirement annuity allowed because of the person's previous~~  
27 ~~service with a reemploying subdivision, beginning with the month~~



1 ~~the retirement system determines that the person has resumed~~  
2 ~~employment with the reemploying subdivision. After the~~  
3 ~~determination, the retirement system may not make payments of the~~  
4 ~~annuity for any month during which the person remains an employee of~~  
5 ~~the reemploying subdivision. The retirement system shall transfer~~  
6 ~~annuity payments that become due and would be payable to the retiree~~  
7 ~~except for the suspension to a non-interest-bearing account in the~~  
8 ~~endowment fund. The suspension of a benefit under this section does~~  
9 ~~not suspend payment of a benefit to an alternate payee under a~~  
10 ~~qualified domestic relations order.~~

11 ~~[(d) The retirement system shall establish an individual~~  
12 ~~account for the member in the employees saving fund for accumulated~~  
13 ~~contributions credited after reemployment with the subdivision.~~  
14 ~~After terminating employment with the reemploying subdivision, a~~  
15 ~~member may elect either an additional standard or optional service~~  
16 ~~retirement annuity based on the additional service with the~~  
17 ~~reemploying subdivision or a refund of the member's accumulated~~  
18 ~~contributions since reemployment.~~

19 ~~[(c) After termination of employment with the reemploying~~  
20 ~~subdivision and filing with the retirement system an application~~  
21 ~~for resumption of the suspended annuity, a person described by~~  
22 ~~Subsection (b) is entitled to receive the payments of the suspended~~  
23 ~~annuity that had been transferred to the endowment fund and future~~  
24 ~~payments of the suspended annuity.~~

25 ~~[(f) Beginning with the month following the month in which a~~  
26 ~~retiree's employment is terminated with a reemploying subdivision~~  
27 ~~by death or other separation from service, future payments of the~~

1 ~~suspended annuity become payable to each person entitled to the~~  
2 ~~annuity in the same amounts that would be payable if the annuity had~~  
3 ~~not been suspended.~~

4 ~~[(g) If a person with credited service under this section~~  
5 ~~dies before a payment under Subsection (e) is made, monthly~~  
6 ~~payments of a suspended annuity will resume under the terms of the~~  
7 ~~retirement annuity originally selected by the decedent, or a person~~  
8 ~~may make an election under Subsection (d) in the order of preference~~  
9 ~~provided by Section 844.407.]~~

10 SECTION 13. Subchapter B, Chapter 842, Government Code, is  
11 amended by amending Section 842.112 and adding Section 842.113 to  
12 read as follows:

13 Sec. 842.112. CORRECTION OF ERRORS. (a) The retirement  
14 system may correct an ~~[any administrative or operational]~~ error  
15 caused by an act or omission of the retirement system by any  
16 appropriate means ~~[, taking into account any applicable Internal~~  
17 ~~Revenue Service guidelines]~~.

18 (b) If an act or omission of a participating subdivision  
19 causes a person to receive more or less credited service, service  
20 credit, or benefits than the person is entitled to receive, the  
21 correction of the error is the responsibility of the subdivision.

22 (c) An error caused by an act or omission of a participating  
23 subdivision may be corrected:

24 (1) by the subdivision on its own motion if approved by  
25 the retirement system and if satisfactory proof of the error is  
26 submitted to the retirement system; or

27 (2) through a judicial or quasi-judicial proceeding

1 between the person and the participating subdivision resulting in a  
2 judgment, order, or settlement agreement that meets the  
3 requirements of Section 842.113.

4 (d) A person seeking the correction of an error relating to  
5 membership, rights, benefits, or benefit payments under the  
6 retirement system must timely provide to the appropriate  
7 subdivision or the retirement system written notice specifically  
8 describing the error. The written notice must be received before  
9 the first anniversary of the earlier of the date the person  
10 discovers the error or the date a reasonable, diligent person  
11 should have discovered the error.

12 (e) If the act of a third person causes the retirement  
13 system to make a payment to someone other than the person entitled  
14 to the payment, the system shall, after receiving credible evidence  
15 of an erroneous payment, determine the person entitled to the  
16 benefit and, if necessary, adjust future payments to the extent  
17 practicable to ensure that the present value of the remainder of the  
18 benefit will be paid to the person entitled to it.

19 (f) The retirement system is not liable for any payments  
20 made before the date the system receives credible evidence of an  
21 erroneous payment. Any payments made before that date are a  
22 complete discharge of the system's responsibility for those  
23 payments and benefits.

24 (g) A recipient who receives a payment to which the  
25 recipient is not entitled holds the payment in constructive trust  
26 for the person entitled to the payment.

27 Sec. 842.113. JUDGMENTS, ORDERS, AND SETTLEMENT

1 AGREEMENTS. (a) If, as a result of a suit against a participating  
2 subdivision in a court of competent jurisdiction or as a result of a  
3 complaint or grievance against a participating subdivision filed  
4 with the United States Equal Employment Opportunity Commission, the  
5 civil rights division of the Texas Workforce Commission [~~on Human~~  
6 ~~Rights~~], or a county civil service commission, a judgment or order  
7 is issued or a settlement agreement is executed, the terms of which  
8 require that a person's membership record be adjusted with respect  
9 to the person's account balance, service credit, or credited  
10 service, the retirement system shall make appropriate adjustments  
11 ~~[an employee receive back pay or that a person be employed or~~  
12 ~~reemployed for a specified period and require that the person~~  
13 ~~receive service credit toward retirement based on the back pay or~~  
14 ~~both service credit and credited service for the specified period~~  
15 ~~of employment or reemployment, on written application to the~~  
16 ~~retirement system, the system shall grant the service credit and~~  
17 ~~credited service] if:~~

18 (1) the judgment or order has become final and is no  
19 longer subject to appeal;

20 (2) a certified copy of the judgment, order, or  
21 settlement agreement accompanies the application; and

22 (3) the retirement system receives payment on behalf  
23 of the person in an amount equal to the contributions the person  
24 would have made to the system if the acts or omissions that resulted  
25 in the order, judgment, or settlement agreement requiring an  
26 adjustment to the person's membership record had not occurred or,  
27 if restoration of a refunded account is required, the system

1 receives payment on behalf of the person in an amount equal to the  
2 amount withdrawn [~~back pay or additional service had been reported~~  
3 ~~to the system, and~~

4 [~~(4) the retirement system receives payment from the~~  
5 ~~subdivision in an amount equal to the additional contributions that~~  
6 ~~the subdivision would have made to the system for the additional~~  
7 ~~service credit].~~

8 (b) The retirement system may not implement an order,  
9 judgment, or settlement agreement in a manner that would grant a  
10 person a status, right, or benefit not otherwise available under  
11 this subtitle.

12 (c) The retirement system may seek, or require the parties  
13 to seek, clarification or modification of any judgment or order, or  
14 may require the parties to provide a binding agreement as to the  
15 interpretation of any settlement if the director determines that  
16 the terms of the judgment, order, or agreement are unclear or cannot  
17 be feasibly implemented by the system.

18 SECTION 14. Section 843.103, Government Code, is amended to  
19 read as follows:

20 Sec. 843.103. STATEMENT OF PRIOR SERVICE. A member  
21 eligible to receive prior service credit shall claim the credit by  
22 filing a detailed statement of the service with the [~~treasurer or~~  
23 ~~other disbursing officer of the~~] subdivision for which the service  
24 was performed. The statement must be filed before the fifth  
25 anniversary of the date the person becomes a member as an employee  
26 of the subdivision.

27 SECTION 15. Sections 843.601(c) and (f), Government Code,

1 are amended to read as follows:

2 (c) The governing body of a participating subdivision also  
 3 may, on the terms provided by Section 844.704, authorize the  
 4 establishment of credited service [~~for current service~~] in the  
 5 retirement system for qualified active duty military service as  
 6 provided by this subsection. Qualified military service includes  
 7 military service before becoming an employee of the subdivision. A  
 8 member eligible to establish credited service [~~for current service~~]  
 9 under this subsection is one who has credited service in the  
 10 retirement system for at least the minimum period required to  
 11 receive a service retirement annuity at the age of 60 from the  
 12 subdivision from which credit under this subsection is sought [~~and~~  
 13 ~~who does not receive and is not eligible to receive federal~~  
 14 ~~retirement payments based on 20 years or more of active federal~~  
 15 ~~military duty or its equivalent~~]. An eligible member may establish  
 16 credited service [~~for current service~~] under this subsection by  
 17 filing an application with the retirement system.

18 (f) Credited service [~~Credit~~] may not be established under  
 19 this section for any month of service that is credited under another  
 20 section of this subtitle or by another retirement system or program  
 21 established or governed by state law.

22 SECTION 16. Section 844.002(c), Government Code, is amended  
 23 to read as follows:

24 (c) A supplemental annuity is an amount payable from the  
 25 subdivision accumulation fund, subject to reduction under Section  
 26 842.054, 842.055, 842.056, 842.057 [~~842.008(d), 842.009(d),~~  
 27 ~~842.010(e)~~], or 845.307(c), and is actuarially determined from the

1 sum of:

2 (1) a member's allocated prior service credit,  
3 accumulated at interest as provided by Section 843.105(d); and

4 (2) a member's multiple matching credit, accumulated  
5 at interest as provided by Section 843.403(d).

6 SECTION 17. Section 844.003(d), Government Code, is amended  
7 to read as follows:

8 (d) A member who is eligible for service retirement and who  
9 terminates employment with a participating subdivision may apply  
10 for and receive a service retirement annuity based on service for  
11 that subdivision despite the fact that the member is or becomes an  
12 employee of another participating subdivision. Credited service  
13 with the member's new employer may be used in determining  
14 eligibility for service retirement. A member who is eligible for  
15 service retirement using combined credited service for two or more  
16 subdivisions may simultaneously apply for and receive a service  
17 retirement annuity for service to one subdivision and a refund of  
18 accumulated contributions for service to another subdivision. A  
19 person who retires under this subsection is considered for all  
20 purposes to be a retiree who resumes service with a different  
21 employer under Section 842.110 [~~842.111~~].

22 SECTION 18. Section 844.208(b), Government Code, is amended  
23 to read as follows:

24 (b) The amount of annuity increase under this section is  
25 computed as the sum of the basic and supplemental annuities on the  
26 effective date of retirement of the person on whose service the  
27 annuities are based or, if the person's current annuity has been

1 increased under Section 844.006(c) or (d), 844.104(c)(5), or  
2 844.305(c)(5), the sum of the basic and supplemental annuities is  
3 computed as if the person had selected a standard service or  
4 disability retirement annuity on the person's effective date of  
5 retirement, multiplied by:

6 (1) the percentage change in the Consumer Price Index  
7 for All Urban Consumers, published by the Bureau of Labor  
8 Statistics of the United States Department of Labor, from December  
9 of the year immediately preceding the effective date of the  
10 person's retirement to the December that is 13 months before the  
11 month in which the effective date of the order or resolution  
12 providing the increase occurs; and

13 (2) a fraction, specified by the governing body in the  
14 order or resolution, that is not less than 30 percent nor more than  
15 100 [~~80~~] percent and is a multiple of 10 percent.

16 SECTION 19. Section 844.209(c), Government Code, is amended  
17 to read as follows:

18 (c) The amount of annuity increase under this section is  
19 computed as the sum of the person's basic and supplemental  
20 annuities on the effective date of the increase multiplied by the  
21 integer percentage increase specified by the governing body for all  
22 annuitants in the order or resolution adopting the increase. The  
23 specified percentage increase may not exceed the percentage  
24 established by the board of trustees as the maximum allowable  
25 percentage increase.

26 SECTION 20. Section 844.408(b), Government Code, is amended  
27 to read as follows:



1 (b) If a surviving spouse or the executor or administrator  
2 of a deceased member's estate would be entitled to make an election  
3 under Section 842.110 [~~or 842.111~~], or if a beneficiary or the  
4 executor or administrator of a deceased member's estate would be  
5 entitled to make an election under Section 844.407 because of the  
6 death of the member, the heirs of the deceased member may make that  
7 election if:

8 (1) no surviving spouse exists, or, if Section 844.407  
9 is applicable, no surviving beneficiary exists;

10 (2) no petition for the appointment of a personal  
11 representative of the member is pending or has been granted;

12 (3) 30 days have elapsed since the date of death of the  
13 member;

14 (4) the value of the entire assets of the member's  
15 estate, excluding homestead and exempt property, does not exceed  
16 \$50,000; and

17 (5) on file with the retirement system is a certified  
18 copy of a small estates affidavit that has been approved and filed  
19 in accordance with Section 137, Texas Probate Code, or an original  
20 affidavit described by Subsection (c).

21 SECTION 21. Section 844.703, Government Code, is amended by  
22 adding Subsection (i) to read as follows:

23 (i) Notwithstanding any provision in this section to the  
24 contrary and if approved by the board of trustees, a participating  
25 subdivision that has experienced or is anticipating circumstances  
26 that cause employer contributions based on covered payroll to be an  
27 unreasonable method of funding shall contribute in an actuarially

1 approved method that is reasonable to regularly and consistently  
2 fund all of its pension liabilities in the retirement system.

3 SECTION 22. Sections 844.704(a), (b), and (d), Government  
4 Code, are amended to read as follows:

5 (a) On the adoption of the plan provisions of this  
6 subchapter, the governing body of the subdivision shall select a  
7 percentage for determining multiple matching credits under Section  
8 843.403. The governing body shall select a percentage of zero or  
9 any percentage that is a multiple of five percent and that does not  
10 exceed [0, 25, 50, 75, 100, 125, or] 150 percent, or it may select  
11 the multiple matching percentage that the subdivision has in effect  
12 on the date of its adoption of the plan provisions of this  
13 subchapter. The governing body may later increase the percentage  
14 used in determining multiple matching credits under Section 843.403  
15 to any percentage that is a multiple of five percent to take effect  
16 on the next January 1 after the date the increase is adopted, except  
17 that the sum of the percentage for current service credits under  
18 Section 843.403 and the percentage for multiple matching credits  
19 ~~[If a subdivision has a current service credit percentage in excess~~  
20 ~~of 100 percent, the governing body of the subdivision may elect a~~  
21 ~~percentage under this section that, when added to the current~~  
22 ~~service credit percentage, is a multiple of 25 percent, except that~~  
23 ~~the combined percentages]~~ may not exceed 250 percent. In its order  
24 or resolution, the governing body may provide that the increased  
25 percentage will be used in determining multiple matching credits  
26 under Section 843.403 only for employee contributions made after  
27 the effective date of the increase or that the increased percentage

1 will be used both prospectively and retroactively in determining  
2 the multiple matching credits for all employee contributions not  
3 otherwise matched at a higher percentage. The governing body may  
4 thereafter reduce [~~increase~~] the percentage used in determining  
5 multiple matching credits under Section 843.403 for contributions  
6 made after the effective date of the reduction to zero or any  
7 percentage that is a multiple of five percent [~~one of the~~  
8 ~~percentages specified in this subsection~~], to take effect on the  
9 next January 1 after the date of the reduction [~~increase. However,~~  
10 ~~the sum of the percentage for current service credits under Section~~  
11 ~~843.403 and the percentage for multiple matching credits may not~~  
12 ~~exceed 250 percent. The governing body also may thereafter reduce~~  
13 ~~the percentage used in determining multiple matching credits for~~  
14 ~~contributions made after the effective date of the reduction to one~~  
15 ~~of the percentages specified in this subsection, to take effect on~~  
16 ~~the next January 1 after the date of the reduction~~].

17 (b) On the adoption of the plan provisions of this  
18 subchapter, the governing body shall select a percentage for  
19 determining allocated prior service credits under Section 843.105.  
20 The governing body shall select a percentage that is a multiple of  
21 five percent. For a subdivision that began participation before  
22 January 1, 1992, the percentage cannot be less than the percentage  
23 in effect immediately before the adoption of the plan. The  
24 governing body may increase the percentage used in determining  
25 allocated prior service credits under Section 843.105, to take  
26 effect on the next January 1 after the date of the increase. The  
27 percentage may not exceed one-half of the percentage that results

1 from adding 200 percent to the lowest percentage for determining  
2 multiple matching credit currently applicable to any employee  
3 contribution with respect to the subdivision. [~~The selection of or~~  
4 ~~increase in the percentage used in determining allocated prior~~  
5 ~~service credits may not result in greater benefits being provided~~  
6 ~~for completed service than would be provided through current~~  
7 ~~service credits and multiple matching credits for service that is~~  
8 ~~performed in the future.~~]

9 (d) The governing body of a subdivision that has adopted or  
10 is adopting the plan provisions of this subchapter may adopt or  
11 authorize:

12 (1) an increase in retirement annuities under Section  
13 844.209;

14 (2) an increase in retirement annuities under Section  
15 844.208;

16 (3) the reestablishment of [~~credited~~] service credit  
17 previously forfeited under Section 843.003;

18 (4) the establishment of credited service for military  
19 service under Section 843.601(c);

20 (5) [~~the establishment of premembership credited~~  
21 ~~service for overage employees under Section 843.204,~~

22 [~~(6)~~] the benefit eligibility plan described by  
23 Section 844.210, 844.211, or 844.212; or

24 (6) [~~(7)~~] the partial lump-sum distribution on  
25 service retirement under Section 844.009.

26 SECTION 23. Section 845.114(b), Government Code, is amended  
27 to read as follows:

1 (b) The board may require reports from the participating  
2 subdivisions for the efficient handling of members' deposits. A  
3 ~~[The treasurer or other payroll disbursing officer of each]~~  
4 participating subdivision shall:

5 (1) prepare the reports in the form specified by the  
6 board; and

7 (2) file the reports at the time specified by the  
8 board.

9 SECTION 24. Section 845.305, Government Code, is amended to  
10 read as follows:

11 Sec. 845.305. CREDITING SYSTEM ASSETS. (a) The retirement  
12 system shall ~~[immediately]~~ deposit all receipts ~~[money received by~~  
13 ~~the system]~~ with a depository designated under Section 845.109 or a  
14 custodian designated under Section 845.302.

15 (b) All assets of the pension trust of the retirement system  
16 shall be credited according to the purpose for which they are held  
17 to one of the following funds:

- 18 (1) employees saving fund;  
19 (2) subdivision accumulation fund;  
20 (3) current service annuity reserve fund;  
21 (4) interest fund;  
22 (5) endowment fund; or  
23 (6) expense fund~~[, or~~  
24 ~~[(7) supplemental death benefits fund]~~.

25 (c) Amounts contributed by a subdivision to provide  
26 optional group term life insurance for its participating employees  
27 and retirees shall be deposited to the fund of the supplemental

1 death benefits trust.

2 SECTION 25. Section 845.306(a), Government Code, is amended  
3 to read as follows:

4 (a) The retirement system shall deposit in a member's  
5 individual account in the employees saving fund:

6 (1) the amount of contributions to the retirement  
7 system deducted from the member's compensation;

8 (2) interest allowed [~~on money in the account~~] in  
9 accordance with this subtitle;

10 (3) the contribution made by a member in an amount  
11 equal to the amount withdrawn to reinstate service credit under  
12 [~~portion of a deposit required by~~] Section 843.003 [~~to reinstate~~  
13 ~~credited service previously terminated that represents the amount~~  
14 ~~withdrawn~~];

15 (4) the amount deposited by a member in accordance  
16 with Section 843.0031 [~~this subtitle to establish credit for prior~~  
17 ~~or current service for a person who became a member in accordance~~  
18 ~~with Subchapter C, Chapter 842~~]; and

19 (5) the amount contributed [~~, if any, deposited~~] by a  
20 member in accordance with Section 843.601(b) to establish current  
21 service credit for military service under the Uniformed Services  
22 Employment and Reemployment Rights Act of 1994 (38 U.S.C. Section  
23 4301 et seq.) [~~, and~~

24 [~~(6) the amount deposited by a person to become a~~  
25 ~~member in accordance with Section 842.103~~].

26 SECTION 26. Section 845.307(a), Government Code, is amended  
27 to read as follows:

1 (a) The retirement system shall credit or charge to [~~deposit~~  
2 ~~in~~] the account of a participating subdivision in the subdivision  
3 accumulation fund:

4 (1) all benefit contributions made by the subdivision  
5 to the system pursuant to Section 845.404(a)(2);

6 (2) net investment income or loss allocated to the  
7 fund under Section 845.315 [~~as provided by this subtitle~~];

8 (3) amounts deposited by the subdivision under Section  
9 845.408;

10 (4) the withdrawal charge for reinstatement of  
11 [~~credited~~] service credit as provided by Section 843.003; and

12 (5) other credits and charges that may be authorized  
13 under this subtitle [~~the amount of matching contributions made by a~~  
14 ~~subdivision in accordance with this subtitle to establish credit~~  
15 ~~for prior or current service for a person who became a member in~~  
16 ~~accordance with Subchapter C, Chapter 842; and~~

17 [~~(6) the amount deposited by a subdivision for a~~  
18 ~~person to become a member in accordance with Section 842.103].~~

19 SECTION 27. Sections 845.309(a), (b), and (c), Government  
20 Code, are amended to read as follows:

21 (a) The interest fund shall account for the determination  
22 and allocation of net investment income or loss [~~must contain~~  
23 ~~accounts for:~~

24 [~~(1) distributable income,~~

25 [~~(2) nondistributable income,~~

26 [~~(3) investment expenses; and~~

27 [~~(4) other accounts the board of trustees establishes~~

1 by resolution].

2 (b) Net investment income or loss will be determined  
3 annually as [As] of December 31 [~~of each year, the nondistributable~~  
4 ~~income account will be adjusted by the net change in carrying value~~  
5 ~~necessary to value at market all domestic, fixed-income securities~~  
6 ~~owned by the retirement system as part of a passively managed,~~  
7 ~~long-term portfolio~~].

8 (c) Net investment income or loss will be allocated each  
9 year in accordance with Section 845.315 [~~The distributable income~~  
10 ~~account will be credited with:~~

11 [~~(1) all income, interest, and dividends from deposits~~  
12 ~~and investments of the retirement system,~~

13 [~~(2) all changes in carrying value of the investments~~  
14 ~~described by Subsection (b) resulting from amortization,~~  
15 ~~accretion, accrual of interest payments as principal, or other~~  
16 ~~change in carrying value not resulting from a change in market~~  
17 ~~value,~~

18 [~~(3) all net capital gains and losses resulting from~~  
19 ~~the sale, call, maturity, or conversion of investments of the~~  
20 ~~retirement system,~~

21 [~~(4) all changes in carrying values of investments of~~  
22 ~~the retirement system except those to be credited in accordance~~  
23 ~~with Subsection (b), and~~

24 [~~(5) any amounts that the board of trustees transfers~~  
25 ~~under Section 845.310(e)] .~~

26 SECTION 28. Section 845.310, Government Code, is amended by  
27 amending Subsections (a), (c), (d), and (e) and by adding



1 Subsection (c-1) to read as follows:

2 (a) The endowment fund consists of the general reserves  
3 account and other accounts as necessary [~~The retirement system~~  
4 ~~shall deposit and hold in the endowment fund gifts, awards, funds,~~  
5 ~~and assets delivered to the retirement system:~~

6 [~~(1) that are not specifically required by the~~  
7 ~~system's other funds; or~~

8 [~~(2) that are designated by the grantor as perpetual~~  
9 ~~endowments for the system].~~

10 (c) The retirement system shall credit or charge to the  
11 general reserves account amounts [~~income~~] allocated to the  
12 endowment fund in accordance with Section 845.315.

13 (c-1) As of December 31, the board of trustees shall provide  
14 from the general reserves account the amount needed to pay the  
15 retirement system's estimated operating expenses for the next  
16 fiscal year.

17 (d) The board of trustees may allocate any amount in the  
18 endowment fund to any other account or fund in the pension trust  
19 [~~shall transfer money from the general reserves account to the~~  
20 ~~expense fund in accordance with Section 845.311(b)].~~

21 (e) Any allocation of reserves to an account of a  
22 subdivision to which Section 842.052, 842.053, or 845.317 applies  
23 must be specifically authorized by board resolution [~~If the board~~  
24 ~~of trustees determines that the amount in the general reserves~~  
25 ~~account as of December 31 of any year is in excess of the amount~~  
26 ~~necessary to provide adequate funding and reserves for all needs~~  
27 ~~and contingencies, the board may by resolution transfer part or all~~

1 ~~of the excess to the distributable income account of the interest~~  
2 ~~fund for distribution].~~

3 SECTION 29. Section 845.311, Government Code, is amended to  
4 read as follows:

5 Sec. 845.311. EXPENSE FUND. The expense fund shall account  
6 for the administrative revenues and expenses of the retirement  
7 system [~~(a) The board of trustees by resolution recorded in its~~  
8 ~~minutes shall transfer from the general reserves account of the~~  
9 ~~endowment fund to the expense fund the amount that is needed to pay~~  
10 ~~the system's estimated cash outlays for administrative and~~  
11 ~~investment expenses for the next fiscal year].~~

12 [~~(b) The retirement system shall pay from the expense fund:~~  
13 [~~(1) administrative and maintenance expenses of the~~  
14 ~~system;~~  
15 [~~(2) notes and bonds issued in accordance with Section~~  
16 ~~845.105; and~~  
17 [~~(3) investment expenses of the system.]~~

18 SECTION 30. Sections 845.315 and 845.317, Government Code,  
19 are amended to read as follows:

20 Sec. 845.315. ANNUAL ALLOCATION OF NET INVESTMENT INCOME OR  
21 LOSS [~~TRANSFER OF ASSETS FROM INTEREST FUND~~]. (a) As of December  
22 31 of each year [~~and after the balance of the investment expenses~~  
23 ~~account has been transferred to the distributable income account],  
24 the board of trustees shall make the following allocations that in  
25 the aggregate equal the net investment income or loss for the year  
26 [~~transfer from the distributable income account of the interest~~  
27 ~~fund the following amounts]:~~~~

1           (1) to the current service annuity reserve fund,  
2 interest as allowed under this subtitle on the mean amount in the  
3 current service annuity reserve fund during that year;

4           (2) to the supplemental death benefits fund, interest  
5 as allowed under this subtitle on the mean amount in the  
6 supplemental death benefits fund during that year;

7           (3) to the general reserves account of the endowment  
8 fund, a positive or negative amount determined by the board [~~dollar~~  
9 ~~amount determined by the board of trustees as necessary to provide~~  
10 ~~adequate funding of the endowment fund, including provisions for~~  
11 ~~all special needs, all contingencies, replenishment of the amount~~  
12 ~~transferred during the current year to the employees saving fund~~  
13 ~~for interest to retiring or deceased members plus the matching~~  
14 ~~amount transferred to the subdivision accumulation fund, and~~  
15 ~~funding of investment expenses and administrative costs for the~~  
16 ~~following year~~];

17           (4) to the employees saving fund, current interest as  
18 allowed under this subtitle on the member account balances on  
19 January 1 of that year of [~~on the sum of the accumulated~~  
20 ~~contributions in the employees saving fund credited on January 1 of~~  
21 ~~that year to~~] all persons who are members on December 31 of that  
22 year [~~before any transfers for retirement effective December 31 of~~  
23 ~~that year are made~~]; [and]

24           (5) to the accounts of subdivisions, other than  
25 subdivisions otherwise described by this section, an amount derived  
26 by applying a positive or negative rate, as determined by the board,  
27 to the January 1 balances of that year; and

1           (6) to the accounts of subdivisions to which Section  
2 842.052 or 842.053 applies, positive or negative amounts as  
3 determined by the board [~~subdivision accumulation fund, the~~  
4 ~~remaining balance of the distributable income account in the~~  
5 ~~interest fund after transfers provided for by Subdivisions (1),~~  
6 ~~(2), (3), and (4) have been made~~].

7           (b) The account of [~~each subdivision, other than~~] a  
8 subdivision that has ceased participation according to Section  
9 845.317(a) [~~r~~] will not receive an allocation under this section [~~a~~  
10 ~~share of the amount transferred under Subsection (a)(5) that is in~~  
11 ~~proportion to the amount that the balance credited to its account on~~  
12 ~~January 1 bears to the total credited to the subdivision~~  
13 ~~accumulation fund on that date~~].

14           Sec. 845.317. PAYMENT TO FORMERLY PARTICIPATING  
15 SUBDIVISION. (a) If a participating subdivision, other than a  
16 subdivision described by Subsection (b), has no employees who are  
17 members of the retirement system and has no present or potential  
18 liabilities resulting from the participation of former employees,  
19 the subdivision's participation in the system stops and the system  
20 shall repay to the subdivision on application any amount in the  
21 subdivision accumulation fund that is credited to the subdivision.

22           (b) If the participation of a subdivision has terminated  
23 under Section 842.052 or 842.053 and the subdivision has no present  
24 or potential liabilities resulting from the participation of  
25 current or former employees, the retirement system, after  
26 application by the subdivision or its successor in interest, shall  
27 pay to the subdivision or its successor any remaining credit to the

1 account of the subdivision in the subdivision accumulation fund [~~a~~  
2 ~~participating subdivision does not exist as a separate entity~~  
3 ~~because it has merged or consolidated with a city or other agency~~  
4 ~~that is not eligible to participate in the retirement system and if~~  
5 ~~under the applicable law or merger agreement the successor is~~  
6 ~~entitled to the assets of the subdivision, the retirement system,~~  
7 ~~on application, shall pay to the successor the amount in the~~  
8 ~~subdivision accumulation fund that is credited to the subdivision].~~

9 (c) A subdivision that has terminated participation in the  
10 retirement system has no right or claim to any amounts in the  
11 system, except as provided by this section.

12 SECTION 31. Sections 845.403(e), (g), and (j), Government  
13 Code, are amended to read as follows:

14 (e) Each [~~The treasurer or disbursing officer of each~~]  
15 participating subdivision shall:

16 (1) make deductions from each member's compensation  
17 for contributions to the retirement system;

18 (2) transmit monthly, or at the time designated by the  
19 board of trustees, the payroll and other pertinent information  
20 prescribed by the board; and

21 (3) pay the deductions to the board of trustees at the  
22 board's home office.

23 (g) The [~~treasurer or disbursing officer of a~~]  
24 participating subdivision shall make the deductions required by  
25 this section even if the member's compensation is reduced below the  
26 amount equal to the minimum compensation provided by law.

27 (j) Contributions picked up as provided by Subsection (i)

1 shall be treated as employer contributions in determining tax  
2 treatment of the amounts under Section 414(h) of the United States  
3 Internal Revenue Code of 1986. Each employee contribution that is  
4 picked up [~~as above provided~~] shall be deposited as provided in  
5 Section 845.306 to the individual account of the member, on whose  
6 behalf the contribution is [~~they are~~] made, and shall be treated for  
7 all other purposes of this subtitle in the same manner [~~and with~~  
8 ~~like effect~~] as if the amount had been deducted from the  
9 compensation of and made by the employee pursuant to Sections  
10 845.402 and this section [~~845.403(a) through (h)~~].

11 SECTION 32. (a) The Texas County and District Retirement  
12 System shall reinstate, as of the termination date, the account of a  
13 person whose membership was terminated after December 31, 2004,  
14 under previous law because of an absence from service for five  
15 consecutive years, if the amount in the account has not been  
16 withdrawn. After reinstatement, the retirement system shall adjust  
17 the member's account to its opening balance as of January 1, 2005,  
18 and credit it after that date with interest as allowed under  
19 Subtitle F, Title 8, Government Code. For a membership that was  
20 terminated after December 31, 1999, and before January 1, 2006, and  
21 that is not reinstated, interest is computed on the balance in the  
22 person's individual account on January 1 of the year of termination  
23 through the month preceding the month in which the membership was  
24 terminated.

25 (b) Until the first pay period beginning after December 31,  
26 2006, a subdivision participating in the Texas County and District  
27 Retirement System by order or resolution may exclude from

1 membership in the retirement system as a class persons who fill a  
2 permanent position or office in the subdivision that normally  
3 requires services from the person for less than 900 hours a year and  
4 persons described by Section 842.105, Government Code, who are  
5 employed in a position that normally requires services for less  
6 than 900 hours a year by a community supervision and corrections  
7 department. The optional exclusion from membership authorized by  
8 this subsection ceases on the earlier of the date specified by a  
9 subdivision in an order or resolution or the first pay period  
10 beginning after December 31, 2006.

11 (c) A subdivision that elects to include persons as members  
12 of the Texas County and District Retirement System under former  
13 Section 842.201, Government Code, may, before April 1, 2006, elect  
14 to discontinue active participation of those persons in the  
15 retirement system by notifying the system and those persons in a  
16 manner the system prescribes.

17 SECTION 33. The following provisions of the Government Code  
18 are repealed:

- 19 (1) Section 842.003;
- 20 (2) Section 842.008;
- 21 (3) Section 842.009;
- 22 (4) Section 842.010;
- 23 (5) Section 842.102;
- 24 (6) Section 842.103;
- 25 (7) Section 842.111;
- 26 (8) Subchapter C, Chapter 842;
- 27 (9) Section 843.203;

- 1           (10) Section 843.204;
- 2           (11) Subchapter D, Chapter 843;
- 3           (12) Section 843.402;
- 4           (13) Section 843.602;
- 5           (14) Sections 845.309(d) and (e);
- 6           (15) Sections 845.310(b) and (f); and
- 7           (16) Section 845.403(c).

8           SECTION 34. This Act takes effect January 1, 2006, except  
9 that the change in law made by this Act to Section 844.704(a),  
10 Government Code, takes effect December 31, 2006.