

1-1 By: Armbrister S.B. No. 486
1-2 (In the Senate - Filed February 14, 2005; February 22, 2005,
1-3 read first time and referred to Committee on State Affairs;
1-4 March 15, 2005, reported favorably by the following vote: Yeas 9,
1-5 Nays 0; March 15, 2005, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to participation and credit in, contributions to, and
1-9 benefits and administration of the Texas County and District
1-10 Retirement System.

1-11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-12 SECTION 1. Subsection (c), Section 75.112, Government Code,
1-13 is amended to read as follows:

1-14 (c) A senior district court judge appointed under this
1-15 subchapter who is not a retiree of the Texas County and District
1-16 Retirement System is subject to the conditions for membership in
1-17 that retirement system during the period the appointment is in
1-18 effect that are provided by Section 842.107 [~~Sections 842.201,~~
1-19 ~~842.202, and 842.203~~]. If a senior district court judge begins,
1-20 retains, or resumes membership in the Texas County and District
1-21 Retirement System, the judge accrues service credit in that
1-22 retirement system for each month of membership in which the
1-23 appointment is in effect.

1-24 SECTION 2. Subdivisions (8) and (17), Section 841.001,
1-25 Government Code, are amended to read as follows:

1-26 (8) "Employee" means a person, other than a person
1-27 determined by a subdivision to be a temporary employee, who is
1-28 certified by a subdivision as being employed in, or elected or
1-29 appointed to, a position or office in the subdivision [~~that~~
1-30 ~~normally requires services from the person for not less than 900~~
1-31 ~~hours a year and~~] for which the person is compensated by the
1-32 subdivision. The term includes a person described by Section
1-33 842.107 only as provided by that section [~~employed on a~~
1-34 ~~probationary basis, except as provided by Section 842.107~~].

1-35 (17) "Subdivision" means a political subdivision of
1-36 the state that is not eligible to participate in any other statewide
1-37 retirement system or that is not currently participating in a
1-38 retirement system established by the legislature. The term
1-39 includes [~~county, a political unit that consists of all of the~~
1-40 ~~geographical area of one county or of all or part of more than one~~
1-41 ~~county, a political unit of a county that has taxing authority, an~~
1-42 ~~authority created by the state to conduct redevelopment activities~~
1-43 ~~on or related to closed military installations of the United~~
1-44 ~~States, a crime control and prevention district,~~] the Texas
1-45 Association of Counties, the Texas County and District Retirement
1-46 System, and [~~or a city and county that jointly operate~~] a
1-47 city-county hospital jointly managed under Subchapter B, Chapter
1-48 265, Health and Safety Code. The term [~~, but~~] does not include a
1-49 branch, division, department, employee classification group, or
1-50 other separately identified component of a political subdivision
1-51 [an incorporated city or town, a school district, or a junior
1-52 college district].

1-53 SECTION 3. Subchapter A, Chapter 841, Government Code, is
1-54 amended by adding Section 841.0051 to read as follows:

1-55 Sec. 841.0051. VENUE. (a) The venue of any action brought
1-56 against the retirement system in a state court or before the State
1-57 Office of Administrative Hearings is in Travis County.

1-58 (b) The venue of any action brought in a state court by the
1-59 retirement system is in Travis County or in the county in which the
1-60 defendant is situated, is domiciled, or does business.

1-61 SECTION 4. Subsection (b), Section 841.010, Government
1-62 Code, is amended to read as follows:

1-63 (b) The entire vested interest of a participant must be
1-64 distributed or begin to be distributed not later than the required

2-1 beginning date as determined in accordance with Section 401(a)(9)
 2-2 of the Internal Revenue Code of 1986 and the regulations adopted
 2-3 under that provision [April 1 following the later of the year in
 2-4 which the participant attains age 70-1/2 or the year in which the
 2-5 participant separates from service with all participating
 2-6 subdivisions]. If the participant dies after distribution of the
 2-7 participant's interest has begun, the remaining portion of the
 2-8 interest will continue to be distributed at least as rapidly as the
 2-9 method of distribution being used before the participant's death.
 2-10 If the participant dies before distribution of the participant's
 2-11 interest begins, distribution of the participant's entire interest
 2-12 must be made in a manner complying with Section 401(a)(9)(B) of the
 2-13 code.

2-14 SECTION 5. Subchapter A, Chapter 842, Government Code, is
 2-15 amended by adding Section 842.0075 to read as follows:

2-16 Sec. 842.0075. ASSUMPTION BY SUCCESSOR SUBDIVISION.
 2-17 (a) The governing body of a participating subdivision may, with
 2-18 the consent of the board of trustees and on terms approved by the
 2-19 board, assume the subdivision account and pension liabilities of a
 2-20 subdivision that no longer exists, is in the process of
 2-21 dissolution, is changing its operational form, or no longer has
 2-22 employees. The account and pension liabilities of a subdivision
 2-23 described by this subsection may not be assumed if the subdivision
 2-24 has executed a voluntary termination agreement under Section
 2-25 842.052 or if the board has specified a date under Section 842.053
 2-26 for the involuntary termination of the subdivision's participation
 2-27 in the retirement system.

2-28 (b) Subject to any limitation set by the board of trustees,
 2-29 the governing body of the assuming subdivision may exercise any
 2-30 authority with respect to plan provisions applicable to members and
 2-31 annuitants of the subdivision plan being assumed that the governing
 2-32 body of that subdivision could have exercised.

2-33 (c) Except as otherwise provided by this section, all
 2-34 retirement plan provisions in effect on the assumption date remain
 2-35 in effect until changed by the governing body of the assuming
 2-36 subdivision.

2-37 (d) As of the assumption date, the account in the
 2-38 subdivision accumulation fund being assumed and the account of the
 2-39 assuming subdivision will be treated as one account for the
 2-40 purposes of receiving allocations under this subtitle and paying
 2-41 benefits accrued with respect to either subdivision.

2-42 (e) The retirement system is not liable to any person for
 2-43 any claim or loss of benefits resulting from the assumption by
 2-44 another participating subdivision of the account and pension
 2-45 liabilities of a subdivision described by Subsection (a).

2-46 (f) The board of trustees by rule may establish standards,
 2-47 definitions, and procedures it considers necessary to administer
 2-48 this section and shall take reasonable actions and exercise its
 2-49 discretion in a fair and equitable manner on a case-by-case basis to
 2-50 preserve accrued benefits.

2-51 SECTION 6. Chapter 842, Government Code, is amended by
 2-52 adding Subchapter A-1 to read as follows:

2-53 SUBCHAPTER A-1. TERMINATION OF PARTICIPATION BY SUBDIVISIONS

2-54 Sec. 842.051. GENERAL PROVISIONS. (a) Notwithstanding
 2-55 any provision of this subchapter to the contrary, to the extent
 2-56 required by applicable provisions of the Internal Revenue Code of
 2-57 1986, on termination of a subdivision's participation in the
 2-58 retirement system or on complete discontinuance of contributions,
 2-59 each member becomes fully vested in the member's accrued benefit
 2-60 with respect to the subdivision to the extent funded as of the date
 2-61 of termination or contribution discontinuance.

2-62 (b) The retirement system is not liable to any person for
 2-63 any claim or loss of benefits resulting from the termination of a
 2-64 subdivision's participation in the system or the failure of a
 2-65 subdivision to make required contributions or payments under a
 2-66 termination agreement.

2-67 (c) The board of trustees by rule may establish standards,
 2-68 definitions, and procedures it considers necessary to administer
 2-69 this subchapter and shall take reasonable actions and exercise its

3-1 discretion in a fair and equitable manner on a case-by-case basis to
 3-2 preserve accrued benefits.

3-3 Sec. 842.052. VOLUNTARY TERMINATION OF PARTICIPATION.

3-4 (a) With the consent of the board of trustees, a subdivision other
 3-5 than a county may voluntarily terminate its participation in the
 3-6 retirement system if the subdivision agrees to be contractually and
 3-7 legally bound, on terms approved by the board, to fund:

3-8 (1) all benefits accrued before the date specified in
 3-9 the termination agreement and payable on or after that date in
 3-10 accordance with Subsection (e); and

3-11 (2) all supplemental annuities.

3-12 (b) Beginning with the date specified in the termination
 3-13 agreement, additional employee contributions or deposits may not be
 3-14 made to a member's account and additional service with the
 3-15 subdivision may not be credited to a member, except as authorized by
 3-16 the board. Except as otherwise provided by this section, all other
 3-17 retirement plan provisions then in effect remain in effect.

3-18 (c) Beginning with the date specified in the termination
 3-19 agreement, the subdivision's account in the subdivision
 3-20 accumulation fund ceases to receive allocations under this subtitle
 3-21 for any prior, current, or future plan year, except as authorized by
 3-22 the board.

3-23 (d) On full performance of the termination agreement, the
 3-24 subdivision is released from all liability for its accrued benefits
 3-25 and supplemental annuities. The retirement system shall make
 3-26 transfers from the subdivision's account to the appropriate funds
 3-27 within the system in amounts actuarially equivalent to the accrued
 3-28 benefits and supplemental annuities. The retirement system shall
 3-29 pay any amounts remaining in the subdivision's account after
 3-30 satisfaction of all the subdivision's pension liabilities to the
 3-31 subdivision or its successor in interest in accordance with Section
 3-32 845.317(b).

3-33 (e) On full performance of the termination agreement, each
 3-34 member who has not received a refund of accumulated contributions
 3-35 becomes fully vested in the member's accrued benefits with respect
 3-36 to the subdivision and is immediately eligible to retire with a
 3-37 service retirement annuity or to take a distribution of the accrued
 3-38 benefits in a lump sum, regardless of age, service, or employment.

3-39 (f) A member vested under Subsection (e) or Section
 3-40 842.051(a) is an eligible member under Section 844.407. For the
 3-41 purpose of determining any death benefit payable under Section
 3-42 844.402, the member's individual account consists only of the
 3-43 deposits and contributions made by the member and the accumulated
 3-44 interest attributable to those amounts.

3-45 Sec. 842.053. INVOLUNTARY TERMINATION OF PARTICIPATION.

3-46 (a) The board of trustees by order may terminate the participation
 3-47 of a subdivision other than a county if the board determines that:

3-48 (1) the subdivision has failed to perform in
 3-49 accordance with a termination agreement under Section 842.052;

3-50 (2) the subdivision has ceased to exist, is in the
 3-51 process of dissolving, or is changing its operational form;

3-52 (3) benefits accrued for service with the subdivision
 3-53 may be at risk of forfeiture;

3-54 (4) the retirement system no longer serves as an
 3-55 effective program for providing retirement, disability, and death
 3-56 benefits to the employees of the subdivision because of the action
 3-57 or inaction of the subdivision or because of a significant change in
 3-58 covered payroll, number of contributing members, workforce
 3-59 composition, general revenues, or other circumstances of the
 3-60 subdivision; or

3-61 (5) the continued participation of the subdivision is
 3-62 not in the best interest of the retirement system, the subdivision,
 3-63 the employees of the subdivision, or the other participating
 3-64 subdivisions.

3-65 (b) Beginning with a date specified by the board, additional
 3-66 employee deposits or contributions may not be made to a member's
 3-67 account with the subdivision and additional service with the
 3-68 subdivision may not be credited to a member, except as authorized by
 3-69 the board. Except as otherwise provided by this subchapter, all

4-1 other retirement plan provisions then in effect remain in effect.

4-2 (c) Beginning with a date specified by the board, the
4-3 subdivision's account in the subdivision accumulation fund ceases
4-4 to receive allocations under this subtitle for any prior, current,
4-5 or future plan year except as authorized by the board.

4-6 (d) Beginning with a date specified by the board, the
4-7 retirement system shall value the accrued benefits and supplemental
4-8 annuities with respect to the subdivision's participation as
4-9 immediately payable under this subchapter. If the assets in the
4-10 subdivision's account exceed the actuarial equivalent value of
4-11 pension benefits, the subdivision is released from all liability
4-12 with respect to the accrued benefits and supplemental annuities.
4-13 The retirement system shall make transfers from the subdivision's
4-14 account to the appropriate funds within the system in amounts
4-15 actuarially equivalent to all accrued benefits and supplemental
4-16 annuities. The retirement system shall pay any amount remaining in
4-17 the subdivision's account after satisfaction of all the
4-18 subdivision's pension liabilities to the subdivision or its
4-19 successor in interest in accordance with Section 845.317(b).

4-20 (e) If the actuarial equivalent value of pension benefits
4-21 exceeds the assets in the subdivision's account, the subdivision or
4-22 its successor in interest may make a contribution in any amount to
4-23 the subdivision's account. The retirement system shall transfer
4-24 the assets of the subdivision's account in the subdivision
4-25 accumulation fund to appropriate funds within the system and
4-26 allocate the assets as provided by Sections 842.054-842.057.

4-27 Sec. 842.054. CLASS A. In a case of involuntary termination
4-28 under Section 842.053, the retirement system shall make a
4-29 proportionate transfer to the individual account of each member of
4-30 the subdivision eligible to retire based on the ratio that the
4-31 member's current service credit bears to the total current service
4-32 credit of the class. The transfer to a member's individual account
4-33 may not exceed 100 percent of the member's current service credit.

4-34 Sec. 842.055. CLASS B. If any assets remain after the
4-35 transfers are made under Section 842.054, the retirement system
4-36 shall make a proportionate transfer to the individual account of
4-37 each member of the subdivision not eligible to retire based on the
4-38 ratio that the member's current service credit bears to the total
4-39 current service credit of the class. The transfer to a member's
4-40 individual account may not exceed 100 percent of the member's
4-41 current service credit.

4-42 Sec. 842.056. CLASS C. If any assets remain after the
4-43 transfers are made under Sections 842.054 and 842.055, the
4-44 retirement system shall make a transfer to the current service
4-45 annuity reserve fund in an amount computed as necessary to fund the
4-46 supplemental annuities of the annuitants of the subdivision and a
4-47 transfer to the individual account of each member of the class
4-48 eligible to retire in an amount that equals the multiple matching
4-49 credits and prior service credits of the member. If necessary, the
4-50 retirement system shall proportionately reduce an individual's
4-51 total credits or supplemental annuity, as applicable, based on the
4-52 ratio that the individual's total actuarial equivalent of benefits
4-53 described by this section bears to the aggregate total actuarial
4-54 equivalent of all those benefits of the class.

4-55 Sec. 842.057. CLASS D. If any assets remain after the
4-56 transfers are made under Sections 842.054, 842.055, and 842.056,
4-57 the retirement system shall make a proportionate transfer to the
4-58 individual account of each member not eligible to retire based on
4-59 the ratio that the sum of the member's multiple matching credits and
4-60 prior service credits bears to the total multiple matching credits
4-61 and prior service credits of the class. The transfer to a member's
4-62 individual account may not exceed 100 percent of the member's
4-63 multiple matching credits and prior service credits.

4-64 Sec. 842.058. BENEFITS. (a) After the transfers,
4-65 allocations, and any necessary reductions described by Sections
4-66 842.054-842.057 have been made, each member who has not received a
4-67 refund of accumulated contributions becomes fully vested in the
4-68 member's accrued benefits with respect to the subdivision to the
4-69 extent funded and is immediately eligible to retire with a service

5-1 retirement annuity or to take a distribution of the accrued
5-2 benefits in a lump sum, regardless of age, service, or employment.

5-3 (b) A member vested under this section or Section 842.051(a)
5-4 is an eligible member under Section 844.407. For the purpose of
5-5 determining any death benefit payable under Section 844.402, the
5-6 member's individual account consists only of the deposits and
5-7 contributions made by the member and the accumulated interest
5-8 attributable to those amounts.

5-9 SECTION 7. Subsections (a) and (b), Section 842.101,
5-10 Government Code, are amended to read as follows:

5-11 (a) Except as otherwise provided by this subchapter, a
5-12 person who is not a member becomes a member of the retirement system
5-13 on the latest of [if]:

5-14 (1) ~~[on]~~ the date the subdivision's participation in
5-15 the retirement system becomes effective, if the person is a
5-16 subdivision employee on that date;

5-17 (2) ~~[before September 1, 1987, and after]~~ the date
5-18 ~~[the subdivision's participation in the retirement system became~~
5-19 ~~effective,]~~ the person becomes ~~[became]~~ a subdivision employee ~~[and~~
5-20 ~~was less than 60 years old at the time of employment]; or~~

5-21 (3) January 1, 2006, if the person is an employee of a
5-22 participating subdivision on that date and was previously excluded
5-23 from retirement system membership [after August 31, 1987, and after
5-24 the date the subdivision's participation becomes effective, the
5-25 person becomes a subdivision employee].

5-26 (b) Except as otherwise provided by this subtitle, the
5-27 rights and benefits of a member are determined separately with
5-28 respect to each subdivision with which the member has credited
5-29 service [A person to whom Subsection (a)(1) applies becomes a
5-30 member of the retirement system on the date the subdivision's
5-31 participation becomes effective, and a person to whom Subsection
5-32 (a)(2) or (a)(3) applies becomes a member of the retirement system
5-33 on the first day of the person's employment].

5-34 SECTION 8. Section 842.105, Government Code, is amended to
5-35 read as follows:

5-36 Sec. 842.105. STATUS AS AN EMPLOYEE. For the purposes of
5-37 this subtitle, a person has the standing of an employee in a
5-38 participating subdivision if the person is an employee, other than
5-39 a temporary employee, of [+

5-40 ~~[(1) is employed in a position that normally requires~~
5-41 ~~services from the person for not less than 900 hours a year by]~~ a
5-42 community supervision and corrections department that has executed
5-43 a contract with the participating subdivision under Section 76.006,
5-44 Government Code ~~[, or~~

5-45 ~~[(2) is eligible for optional membership in the~~
5-46 ~~retirement system under Subchapter C].~~

5-47 SECTION 9. Section 842.107, Government Code, is amended to
5-48 read as follows:

5-49 Sec. 842.107. OPTIONAL [EXCEPTION TO GENERAL] MEMBERSHIP
5-50 [REQUIREMENT]. (a) A subdivision may authorize to be a member of
5-51 the retirement system a person who is accruing benefits in another
5-52 statewide retirement system for service in an elected or appointed
5-53 judicial or district office or as an employee of the state or a
5-54 governmental unit of the state during the same period the person is
5-55 receiving supplemental compensation from the subdivision. A person
5-56 described by this subsection who is first included for optional
5-57 membership after December 31, 2005, may not contribute to the
5-58 employees saving fund or receive any service credit for any
5-59 supplemental compensation received before the date the subdivision
5-60 makes the person eligible to become a member.

5-61 (b) The board of trustees by rule may establish reasonable
5-62 restrictions and limitations on the granting of membership and
5-63 service credit under this section [A subdivision that was
5-64 participating in the retirement system before January 1, 1987, and
5-65 that had in effect before that date and continues to have a policy
5-66 of hiring new personnel on a probationary basis for a specified
5-67 period may exclude new personnel from membership during the
5-68 probationary period but may not, for purposes of retirement system
5-69 membership, increase the length of the probationary period beyond

6-1 ~~the length of the period in effect on January 1, 1987. The~~
 6-2 ~~subdivision may reduce or eliminate the period].~~

6-3 SECTION 10. Section 842.108, Government Code, is amended by
 6-4 amending Subsections (a) and (c) and by adding Subsection (a-1) to
 6-5 read as follows:

6-6 (a) A person, or the beneficiary of a person, whose
 6-7 membership terminated before January 1, 2005, as a result of
 6-8 absence from service may submit an application to withdraw all of
 6-9 the person's accumulated contributions attributable to the
 6-10 terminated membership.

6-11 (a-1) The accumulated contributions attributable to a
 6-12 terminated membership described by Subsection (a) are held by the
 6-13 retirement system in a noninterest-bearing account and may not be
 6-14 considered deposits under Section 843.003 or 843.0031 until the
 6-15 person:

6-16 (1) again becomes a member;

6-17 (2) is eligible under Section 843.003 or 843.0031; and

6-18 (3) submits an application to the system.

6-19 (c) Except for a terminated membership described by
 6-20 Subsection (a), interest [~~Interest~~] is computed on the balance in
 6-21 the member's individual account in the employees saving fund on
 6-22 January 1 of the year of withdrawal through the month before the
 6-23 month in which the withdrawal occurs for a person described by
 6-24 Subsection (b) [~~and on January 1 of the year of membership~~
 6-25 ~~termination through the month before the month in which the~~
 6-26 ~~membership terminates for a person described by Subsection (a)~~
 6-27 ~~whose membership terminates after December 31, 1999].~~

6-28 SECTION 11. Subsections (a) and (b), Section 842.109,
 6-29 Government Code, are amended to read as follows:

6-30 (a) A person terminates membership in the retirement system
 6-31 by:

6-32 (1) death;

6-33 (2) retirement from all participating subdivisions
 6-34 with which the person has service credit; or

6-35 (3) withdrawal of all of the person's accumulated
 6-36 contributions [~~or~~

6-37 ~~(4) absence from service for five consecutive years~~
 6-38 ~~before accumulating four or more years of credited service].~~

6-39 (b) A person's membership in the retirement system may not
 6-40 extend beyond the required beginning date determined in accordance
 6-41 with Section 841.010 [~~March 31 of the year following the later of~~
 6-42 ~~the year in which the person attains age 70-1/2 or the year in which~~
 6-43 ~~the person is no longer an employee of any participating~~
 6-44 ~~subdivision].~~

6-45 SECTION 12. Section 842.110, Government Code, is amended to
 6-46 read as follows:

6-47 Sec. 842.110. RESUMPTION OF SERVICE [~~WITH SAME EMPLOYER~~] BY
 6-48 RETIREE. (a) Except as provided by Subsection (b), a person who
 6-49 has retired from a participating subdivision with a service
 6-50 retirement annuity based on a bona fide termination of employment
 6-51 and with a break in service of not less than one calendar month
 6-52 resumes membership in the retirement system without suspension of
 6-53 the person's annuity if the person becomes an employee of any
 6-54 participating subdivision.

6-55 (b) A person who resumes employment with the same
 6-56 subdivision from which the person was previously employed and does
 6-57 not meet the requirements of Subsection (a) is considered not to
 6-58 have retired with respect to that subdivision. The person's
 6-59 service retirement annuity will be discontinued, the person's
 6-60 membership will be restored, and the person must return any
 6-61 payments received. Appropriate adjustments will be made for any
 6-62 amounts not returned.

6-63 (c) A membership established under the requirements of
 6-64 Subsection (a) is considered to be a new membership for the purposes
 6-65 of beneficiary determinations and benefit selections.

6-66 (d) After terminating employment with a participating
 6-67 subdivision, a member who has previously retired with a service
 6-68 retirement annuity under this subtitle and who meets the
 6-69 requirements of Subsection (a) is eligible to apply for and receive

7-1 ~~an additional standard or optional service retirement annuity or a~~
 7-2 ~~refund of the member's accumulated contributions for service with~~
 7-3 ~~the subdivision, without regard to any age or credited service~~
 7-4 ~~requirement, except as provided by Subsection (f).~~

7-5 ~~(e) On the death of a member who meets the requirement of~~
 7-6 ~~Subsection (d), a person may apply for and receive an optional~~
 7-7 ~~service retirement annuity or a refund of the decedent's~~
 7-8 ~~accumulated contributions in the manner provided by Subsection (d),~~
 7-9 ~~except as provided by Subsection (f).~~

7-10 ~~(f) The waiver of an age or credited service requirement~~
 7-11 ~~under this section does not apply to a person who becomes eligible~~
 7-12 ~~to retire solely as a result of a subdivision's termination of~~
 7-13 ~~participation under Subchapter A-1 [In this section, "reemploying~~
 7-14 ~~subdivision" is a subdivision for which a person previously has~~
 7-15 ~~performed creditable service and is receiving or would receive a~~
 7-16 ~~retirement annuity except for this section].~~

7-17 ~~[(b) A person who has retired with a service retirement~~
 7-18 ~~annuity under this subtitle shall, if the person later becomes an~~
 7-19 ~~employee of a reemploying subdivision, become a member of the~~
 7-20 ~~system on the date of reemployment, but credits and benefits~~
 7-21 ~~payable to the person under this subtitle are limited as provided by~~
 7-22 ~~this section.~~

7-23 ~~[(c) The retirement system shall suspend payments of each~~
 7-24 ~~service retirement annuity allowed because of the person's previous~~
 7-25 ~~service with a reemploying subdivision, beginning with the month~~
 7-26 ~~the retirement system determines that the person has resumed~~
 7-27 ~~employment with the reemploying subdivision. After the~~
 7-28 ~~determination, the retirement system may not make payments of the~~
 7-29 ~~annuity for any month during which the person remains an employee of~~
 7-30 ~~the reemploying subdivision. The retirement system shall transfer~~
 7-31 ~~annuity payments that become due and would be payable to the retiree~~
 7-32 ~~except for the suspension to a non-interest-bearing account in the~~
 7-33 ~~endowment fund. The suspension of a benefit under this section does~~
 7-34 ~~not suspend payment of a benefit to an alternate payee under a~~
 7-35 ~~qualified domestic relations order.~~

7-36 ~~[(d) The retirement system shall establish an individual~~
 7-37 ~~account for the member in the employees saving fund for accumulated~~
 7-38 ~~contributions credited after reemployment with the subdivision.~~
 7-39 ~~After terminating employment with the reemploying subdivision, a~~
 7-40 ~~member may elect either an additional standard or optional service~~
 7-41 ~~retirement annuity based on the additional service with the~~
 7-42 ~~reemploying subdivision or a refund of the member's accumulated~~
 7-43 ~~contributions since reemployment.~~

7-44 ~~[(e) After termination of employment with the reemploying~~
 7-45 ~~subdivision and filing with the retirement system an application~~
 7-46 ~~for resumption of the suspended annuity, a person described by~~
 7-47 ~~Subsection (b) is entitled to receive the payments of the suspended~~
 7-48 ~~annuity that had been transferred to the endowment fund and future~~
 7-49 ~~payments of the suspended annuity.~~

7-50 ~~[(f) Beginning with the month following the month in which a~~
 7-51 ~~retiree's employment is terminated with a reemploying subdivision~~
 7-52 ~~by death or other separation from service, future payments of the~~
 7-53 ~~suspended annuity become payable to each person entitled to the~~
 7-54 ~~annuity in the same amounts that would be payable if the annuity had~~
 7-55 ~~not been suspended.~~

7-56 ~~[(g) If a person with credited service under this section~~
 7-57 ~~dies before a payment under Subsection (e) is made, monthly~~
 7-58 ~~payments of a suspended annuity will resume under the terms of the~~
 7-59 ~~retirement annuity originally selected by the decedent, or a person~~
 7-60 ~~may make an election under Subsection (d) in the order of preference~~
 7-61 ~~provided by Section 844.407.]~~

7-62 SECTION 13. Subchapter B, Chapter 842, Government Code, is
 7-63 amended by amending Section 842.112 and adding Section 842.113 to
 7-64 read as follows:

7-65 Sec. 842.112. CORRECTION OF ERRORS. (a) The retirement
 7-66 system may correct an ~~[any administrative or operational]~~ error
 7-67 caused by an act or omission of the retirement system by any
 7-68 appropriate means~~[, taking into account any applicable Internal~~
 7-69 ~~Revenue Service guidelines].~~

8-1 (b) If an act or omission of a participating subdivision
 8-2 causes a person to receive more or less credited service, service
 8-3 credit, or benefits than the person is entitled to receive, the
 8-4 correction of the error is the responsibility of the subdivision.

8-5 (c) An error caused by an act or omission of a participating
 8-6 subdivision may be corrected:

8-7 (1) by the subdivision on its own motion if approved by
 8-8 the retirement system and if satisfactory proof of the error is
 8-9 submitted to the retirement system; or

8-10 (2) through a judicial or quasi-judicial proceeding
 8-11 between the person and the participating subdivision resulting in a
 8-12 judgment, order, or settlement agreement that meets the
 8-13 requirements of Section 842.113.

8-14 (d) A person seeking the correction of an error relating to
 8-15 membership, rights, benefits, or benefit payments under the
 8-16 retirement system must timely provide to the appropriate
 8-17 subdivision or the retirement system written notice specifically
 8-18 describing the error. The written notice must be received before
 8-19 the first anniversary of the earlier of the date the person
 8-20 discovers the error or the date a reasonable, diligent person
 8-21 should have discovered the error.

8-22 (e) If the act of a third person causes the retirement
 8-23 system to make a payment to someone other than the person entitled
 8-24 to the payment, the system shall, after receiving credible evidence
 8-25 of an erroneous payment, determine the person entitled to the
 8-26 benefit and, if necessary, adjust future payments to the extent
 8-27 practicable to ensure that the present value of the remainder of the
 8-28 benefit will be paid to the person entitled to it.

8-29 (f) The retirement system is not liable for any payments
 8-30 made before the date the system receives credible evidence of an
 8-31 erroneous payment. Any payments made before that date are a
 8-32 complete discharge of the system's responsibility for those
 8-33 payments and benefits.

8-34 (g) A recipient who receives a payment to which the
 8-35 recipient is not entitled holds the payment in constructive trust
 8-36 for the person entitled to the payment.

8-37 Sec. 842.113. JUDGMENTS, ORDERS, AND SETTLEMENT
 8-38 AGREEMENTS. (a) If, as a result of a suit against a participating
 8-39 subdivision in a court of competent jurisdiction or as a result of a
 8-40 complaint or grievance against a participating subdivision filed
 8-41 with the United States Equal Employment Opportunity Commission, the
 8-42 civil rights division of the Texas Workforce Commission [~~on Human~~
 8-43 Rights], or a county civil service commission, a judgment or order
 8-44 is issued or a settlement agreement is executed, the terms of which
 8-45 require that a person's membership record be adjusted with respect
 8-46 to the person's account balance, service credit, or credited
 8-47 service, the retirement system shall make appropriate adjustments
 8-48 [~~an employee receive back pay or that a person be employed or~~
 8-49 ~~reemployed for a specified period and require that the person~~
 8-50 ~~receive service credit toward retirement based on the back pay or~~
 8-51 ~~both service credit and credited service for the specified period~~
 8-52 ~~of employment or reemployment, on written application to the~~
 8-53 ~~retirement system, the system shall grant the service credit and~~
 8-54 ~~credited service] if:~~

8-55 (1) the judgment or order has become final and is no
 8-56 longer subject to appeal;

8-57 (2) a certified copy of the judgment, order, or
 8-58 settlement agreement accompanies the application; and

8-59 (3) the retirement system receives payment on behalf
 8-60 of the person in an amount equal to the contributions the person
 8-61 would have made to the system if the acts or omissions that resulted
 8-62 in the order, judgment, or settlement agreement requiring an
 8-63 adjustment to the person's membership record had not occurred or,
 8-64 if restoration of a refunded account is required, the system
 8-65 receives payment on behalf of the person in an amount equal to the
 8-66 amount withdrawn [~~back pay or additional service had been reported~~
 8-67 ~~to the system, and~~

8-68 [~~4) the retirement system receives payment from the~~
 8-69 ~~subdivision in an amount equal to the additional contributions that~~

9-1 ~~the subdivision would have made to the system for the additional~~
 9-2 ~~service credit].~~

9-3 (b) The retirement system may not implement an order,
 9-4 judgment, or settlement agreement in a manner that would grant a
 9-5 person a status, right, or benefit not otherwise available under
 9-6 this subtitle.

9-7 (c) The retirement system may seek, or require the parties
 9-8 to seek, clarification or modification of any judgment or order, or
 9-9 may require the parties to provide a binding agreement as to the
 9-10 interpretation of any settlement if the director determines that
 9-11 the terms of the judgment, order, or agreement are unclear or cannot
 9-12 be feasibly implemented by the system.

9-13 SECTION 14. Section 843.103, Government Code, is amended to
 9-14 read as follows:

9-15 Sec. 843.103. STATEMENT OF PRIOR SERVICE. A member
 9-16 eligible to receive prior service credit shall claim the credit by
 9-17 filing a detailed statement of the service with the [~~treasurer or~~
 9-18 ~~other disbursing officer of the~~] subdivision for which the service
 9-19 was performed. The statement must be filed before the fifth
 9-20 anniversary of the date the person becomes a member as an employee
 9-21 of the subdivision.

9-22 SECTION 15. Subsections (c) and (f), Section 843.601,
 9-23 Government Code, are amended to read as follows:

9-24 (c) The governing body of a participating subdivision also
 9-25 may, on the terms provided by Section 844.704, authorize the
 9-26 establishment of credited service [~~for current service~~] in the
 9-27 retirement system for qualified active duty military service as
 9-28 provided by this subsection. Qualified military service includes
 9-29 military service before becoming an employee of the subdivision. A
 9-30 member eligible to establish credited service [~~for current service~~]
 9-31 under this subsection is one who has credited service in the
 9-32 retirement system for at least the minimum period required to
 9-33 receive a service retirement annuity at the age of 60 from the
 9-34 subdivision from which credit under this subsection is sought [~~and~~
 9-35 ~~who does not receive and is not eligible to receive federal~~
 9-36 ~~retirement payments based on 20 years or more of active federal~~
 9-37 ~~military duty or its equivalent]. An eligible member may establish~~
 9-38 credited service [~~for current service~~] under this subsection by
 9-39 filing an application with the retirement system.

9-40 (f) Credited service [~~Credit~~] may not be established under
 9-41 this section for any month of service that is credited under another
 9-42 section of this subtitle or by another retirement system or program
 9-43 established or governed by state law.

9-44 SECTION 16. Subsection (c), Section 844.002, Government
 9-45 Code, is amended to read as follows:

9-46 (c) A supplemental annuity is an amount payable from the
 9-47 subdivision accumulation fund, subject to reduction under Section
 9-48 842.054, 842.055, 842.056, 842.057 [~~842.008(d), 842.009(d),~~
 9-49 ~~842.010(c)]~~, or 845.307(c), and is actuarially determined from the
 9-50 sum of:

9-51 (1) a member's allocated prior service credit,
 9-52 accumulated at interest as provided by Section 843.105(d); and
 9-53 (2) a member's multiple matching credit, accumulated
 9-54 at interest as provided by Section 843.403(d).

9-55 SECTION 17. Subsection (d), Section 844.003, Government
 9-56 Code, is amended to read as follows:

9-57 (d) A member who is eligible for service retirement and who
 9-58 terminates employment with a participating subdivision may apply
 9-59 for and receive a service retirement annuity based on service for
 9-60 that subdivision despite the fact that the member is or becomes an
 9-61 employee of another participating subdivision. Credited service
 9-62 with the member's new employer may be used in determining
 9-63 eligibility for service retirement. A member who is eligible for
 9-64 service retirement using combined credited service for two or more
 9-65 subdivisions may simultaneously apply for and receive a service
 9-66 retirement annuity for service to one subdivision and a refund of
 9-67 accumulated contributions for service to another subdivision. A
 9-68 person who retires under this subsection is considered for all
 9-69 purposes to be a retiree who resumes service with a different

10-1 employer under Section 842.110 [~~842.111~~].

10-2 SECTION 18. Subsection (b), Section 844.208, Government
10-3 Code, is amended to read as follows:

10-4 (b) The amount of annuity increase under this section is
10-5 computed as the sum of the basic and supplemental annuities on the
10-6 effective date of retirement of the person on whose service the
10-7 annuities are based or, if the person's current annuity has been
10-8 increased under Section 844.006(c) or (d), 844.104(c)(5), or
10-9 844.305(c)(5), the sum of the basic and supplemental annuities is
10-10 computed as if the person had selected a standard service or
10-11 disability retirement annuity on the person's effective date of
10-12 retirement, multiplied by:

10-13 (1) the percentage change in the Consumer Price Index
10-14 for All Urban Consumers, published by the Bureau of Labor
10-15 Statistics of the United States Department of Labor, from December
10-16 of the year immediately preceding the effective date of the
10-17 person's retirement to the December that is 13 months before the
10-18 month in which the effective date of the order or resolution
10-19 providing the increase occurs; and

10-20 (2) a fraction, specified by the governing body in the
10-21 order or resolution, that is not less than 30 percent nor more than
10-22 100 [~~80~~] percent and is a multiple of 10 percent.

10-23 SECTION 19. Subsection (c), Section 844.209, Government
10-24 Code, is amended to read as follows:

10-25 (c) The amount of annuity increase under this section is
10-26 computed as the sum of the person's basic and supplemental
10-27 annuities on the effective date of the increase multiplied by the
10-28 integer percentage increase specified by the governing body for all
10-29 annuitants in the order or resolution adopting the increase. The
10-30 specified percentage increase may not exceed the percentage
10-31 established by the board of trustees as the maximum allowable
10-32 percentage increase.

10-33 SECTION 20. Subsection (b), Section 844.408, Government
10-34 Code, is amended to read as follows:

10-35 (b) If a surviving spouse or the executor or administrator
10-36 of a deceased member's estate would be entitled to make an election
10-37 under Section 842.110 [~~or 842.111~~], or if a beneficiary or the
10-38 executor or administrator of a deceased member's estate would be
10-39 entitled to make an election under Section 844.407 because of the
10-40 death of the member, the heirs of the deceased member may make that
10-41 election if:

10-42 (1) no surviving spouse exists, or, if Section 844.407
10-43 is applicable, no surviving beneficiary exists;

10-44 (2) no petition for the appointment of a personal
10-45 representative of the member is pending or has been granted;

10-46 (3) 30 days have elapsed since the date of death of the
10-47 member;

10-48 (4) the value of the entire assets of the member's
10-49 estate, excluding homestead and exempt property, does not exceed
10-50 \$50,000; and

10-51 (5) on file with the retirement system is a certified
10-52 copy of a small estates affidavit that has been approved and filed
10-53 in accordance with Section 137, Texas Probate Code, or an original
10-54 affidavit described by Subsection (c).

10-55 SECTION 21. Section 844.703, Government Code, is amended by
10-56 adding Subsection (i) to read as follows:

10-57 (i) Notwithstanding any provision in this section to the
10-58 contrary and if approved by the board of trustees, a participating
10-59 subdivision that has experienced or is anticipating circumstances
10-60 that cause employer contributions based on covered payroll to be an
10-61 unreasonable method of funding shall contribute in an actuarially
10-62 approved method that is reasonable to regularly and consistently
10-63 fund all of its pension liabilities in the retirement system.

10-64 SECTION 22. Subsections (a), (b), and (d), Section 844.704,
10-65 Government Code, are amended to read as follows:

10-66 (a) On the adoption of the plan provisions of this
10-67 subchapter, the governing body of the subdivision shall select a
10-68 percentage for determining multiple matching credits under Section
10-69 843.403. The governing body shall select a percentage of zero or

11-1 any percentage that is a multiple of five percent and that does not
 11-2 ~~exceed [0, 25, 50, 75, 100, 125, or] 150 percent, or it may select~~
 11-3 ~~the multiple matching percentage that the subdivision has in effect~~
 11-4 ~~on the date of its adoption of the plan provisions of this~~
 11-5 ~~subchapter. The governing body may later increase the percentage~~
 11-6 ~~used in determining multiple matching credits under Section 843.403~~
 11-7 ~~to any percentage that is a multiple of five percent to take effect~~
 11-8 ~~on the next January 1 after the date the increase is adopted, except~~
 11-9 ~~that the sum of the percentage for current service credits under~~
 11-10 ~~Section 843.403 and the percentage for multiple matching credits~~
 11-11 ~~[If a subdivision has a current service credit percentage in excess~~
 11-12 ~~of 100 percent, the governing body of the subdivision may elect a~~
 11-13 ~~percentage under this section that, when added to the current~~
 11-14 ~~service credit percentage, is a multiple of 25 percent, except that~~
 11-15 ~~the combined percentages] may not exceed 250 percent. In its order~~
 11-16 ~~or resolution, the governing body may provide that the increased~~
 11-17 ~~percentage will be used in determining multiple matching credits~~
 11-18 ~~under Section 843.403 only for employee contributions made after~~
 11-19 ~~the effective date of the increase or that the increased percentage~~
 11-20 ~~will be used both prospectively and retroactively in determining~~
 11-21 ~~the multiple matching credits for all employee contributions not~~
 11-22 ~~otherwise matched at a higher percentage. The governing body may~~
 11-23 ~~thereafter reduce [increase] the percentage used in determining~~
 11-24 ~~multiple matching credits under Section 843.403 for contributions~~
 11-25 ~~made after the effective date of the reduction to zero or any~~
 11-26 ~~percentage that is a multiple of five percent [one of the~~
 11-27 ~~percentages specified in this subsection], to take effect on the~~
 11-28 ~~next January 1 after the date of the reduction [increase. However,~~
 11-29 ~~the sum of the percentage for current service credits under Section~~
 11-30 ~~843.403 and the percentage for multiple matching credits may not~~
 11-31 ~~exceed 250 percent. The governing body also may thereafter reduce~~
 11-32 ~~the percentage used in determining multiple matching credits for~~
 11-33 ~~contributions made after the effective date of the reduction to one~~
 11-34 ~~of the percentages specified in this subsection, to take effect on~~
 11-35 ~~the next January 1 after the date of the reduction].~~

11-36 (b) On the adoption of the plan provisions of this
 11-37 subchapter, the governing body shall select a percentage for
 11-38 determining allocated prior service credits under Section 843.105.
 11-39 The governing body shall select a percentage that is a multiple of
 11-40 five percent. For a subdivision that began participation before
 11-41 January 1, 1992, the percentage cannot be less than the percentage
 11-42 in effect immediately before the adoption of the plan. The
 11-43 governing body may increase the percentage used in determining
 11-44 allocated prior service credits under Section 843.105, to take
 11-45 effect on the next January 1 after the date of the increase. The
 11-46 percentage may not exceed one-half of the percentage that results
 11-47 from adding 200 percent to the lowest percentage for determining
 11-48 multiple matching credit currently applicable to any employee
 11-49 contribution with respect to the subdivision [The selection of or
 11-50 increase in the percentage used in determining allocated prior
 11-51 service credits may not result in greater benefits being provided
 11-52 for completed service than would be provided through current
 11-53 service credits and multiple matching credits for service that is
 11-54 performed in the future].

11-55 (d) The governing body of a subdivision that has adopted or
 11-56 is adopting the plan provisions of this subchapter may adopt or
 11-57 authorize:

- 11-58 (1) an increase in retirement annuities under Section
- 11-59 844.209;
- 11-60 (2) an increase in retirement annuities under Section
- 11-61 844.208;
- 11-62 (3) the reestablishment of [~~credited~~] service credit
- 11-63 previously forfeited under Section 843.003;
- 11-64 (4) the establishment of credited service for military
- 11-65 service under Section 843.601(c);
- 11-66 (5) [~~the establishment of premembership credited~~
- 11-67 ~~service for overage employees under Section 843.204,~~
- 11-68 [~~6~~] the benefit eligibility plan described by
- 11-69 Section 844.210, 844.211, or 844.212; or

12-1 (6) [~~(7)~~] the partial lump-sum distribution on
12-2 service retirement under Section 844.009.

12-3 SECTION 23. Subsection (b), Section 845.114, Government
12-4 Code, is amended to read as follows:

12-5 (b) The board may require reports from the participating
12-6 subdivisions for the efficient handling of members' deposits. A
12-7 [~~The treasurer or other payroll disbursing officer of each~~]
12-8 participating subdivision shall:

12-9 (1) prepare the reports in the form specified by the
12-10 board; and

12-11 (2) file the reports at the time specified by the
12-12 board.

12-13 SECTION 24. Section 845.305, Government Code, is amended to
12-14 read as follows:

12-15 Sec. 845.305. CREDITING SYSTEM ASSETS. (a) The retirement
12-16 system shall [~~immediately~~] deposit all receipts [~~money received by~~
12-17 ~~the system~~] with a depository designated under Section 845.109 or a
12-18 custodian designated under Section 845.302.

12-19 (b) All assets of the pension trust of the retirement system
12-20 shall be credited according to the purpose for which they are held
12-21 to one of the following funds:

12-22 (1) employees saving fund;

12-23 (2) subdivision accumulation fund;

12-24 (3) current service annuity reserve fund;

12-25 (4) interest fund;

12-26 (5) endowment fund; or

12-27 (6) expense fund[~~, or~~

12-28 [~~(7) supplemental death benefits fund~~].

12-29 (c) Amounts contributed by a subdivision to provide
12-30 optional group term life insurance for its participating employees
12-31 and retirees shall be deposited to the fund of the supplemental
12-32 death benefits trust.

12-33 SECTION 25. Subsection (a), Section 845.306, Government
12-34 Code, is amended to read as follows:

12-35 (a) The retirement system shall deposit in a member's
12-36 individual account in the employees saving fund:

12-37 (1) the amount of contributions to the retirement
12-38 system deducted from the member's compensation;

12-39 (2) interest allowed [~~on money in the account~~] in
12-40 accordance with this subtitle;

12-41 (3) the contribution made by a member in an amount
12-42 equal to the amount withdrawn to reinstate service credit under
12-43 [portion of a deposit required by] Section 843.003 [to reinstate
12-44 credited service previously terminated that represents the amount
12-45 withdrawn];

12-46 (4) the amount deposited by a member in accordance
12-47 with Section 843.0031 [this subtitle to establish credit for prior
12-48 or current service for a person who became a member in accordance
12-49 with Subchapter C, Chapter 842]; and

12-50 (5) the amount contributed[, if any, deposited] by a
12-51 member in accordance with Section 843.601(b) to establish current
12-52 service credit for military service under the Uniformed Services
12-53 Employment and Reemployment Rights Act of 1994 (38 U.S.C. Section
12-54 4301 et seq.) [; and

12-55 [~~(6) the amount deposited by a person to become a~~
12-56 ~~member in accordance with Section 842.103].~~

12-57 SECTION 26. Subsection (a), Section 845.307, Government
12-58 Code, is amended to read as follows:

12-59 (a) The retirement system shall credit or charge to [deposit
12-60 in] the account of a participating subdivision in the subdivision
12-61 accumulation fund:

12-62 (1) all benefit contributions made by the subdivision
12-63 to the system pursuant to Section 845.404(a)(2);

12-64 (2) net investment income or loss allocated to the
12-65 fund under Section 845.315 [as provided by this subtitle];

12-66 (3) amounts deposited by the subdivision under Section
12-67 845.408;

12-68 (4) the withdrawal charge for reinstatement of
12-69 [~~credited~~] service credit as provided by Section 843.003; and

13-1 (5) other credits and charges that may be authorized
 13-2 under this subtitle [~~the amount of matching contributions made by a~~
 13-3 ~~subdivision in accordance with this subtitle to establish credit~~
 13-4 ~~for prior or current service for a person who became a member in~~
 13-5 ~~accordance with Subchapter C, Chapter 842; and~~

13-6 [~~(6) the amount deposited by a subdivision for a~~
 13-7 ~~person to become a member in accordance with Section 842.103].~~

13-8 SECTION 27. Subsections (a), (b), and (c), Section 845.309,
 13-9 Government Code, are amended to read as follows:

13-10 (a) The interest fund shall account for the determination
 13-11 and allocation of net investment income or loss [~~must contain~~
 13-12 ~~accounts for:~~

13-13 [~~(1) distributable income;~~
 13-14 [~~(2) nondistributable income;~~
 13-15 [~~(3) investment expenses; and~~
 13-16 [~~(4) other accounts the board of trustees establishes~~
 13-17 ~~by resolution].~~

13-18 (b) Net investment income or loss will be determined
 13-19 annually as [As] of December 31 [~~of each year, the nondistributable~~
 13-20 ~~income account will be adjusted by the net change in carrying value~~
 13-21 ~~necessary to value at market all domestic, fixed-income securities~~
 13-22 ~~owned by the retirement system as part of a passively managed,~~
 13-23 ~~long-term portfolio].~~

13-24 (c) Net investment income or loss will be allocated each
 13-25 year in accordance with Section 845.315 [~~The distributable income~~
 13-26 ~~account will be credited with:~~

13-27 [~~(1) all income, interest, and dividends from deposits~~
 13-28 ~~and investments of the retirement system;~~

13-29 [~~(2) all changes in carrying value of the investments~~
 13-30 ~~described by Subsection (b) resulting from amortization,~~
 13-31 ~~accretion, accrual of interest payments as principal, or other~~
 13-32 ~~change in carrying value not resulting from a change in market~~
 13-33 ~~value;~~

13-34 [~~(3) all net capital gains and losses resulting from~~
 13-35 ~~the sale, call, maturity, or conversion of investments of the~~
 13-36 ~~retirement system;~~

13-37 [~~(4) all changes in carrying values of investments of~~
 13-38 ~~the retirement system except those to be credited in accordance~~
 13-39 ~~with Subsection (b); and~~

13-40 [~~(5) any amounts that the board of trustees transfers~~
 13-41 ~~under Section 845.310(e)].~~

13-42 SECTION 28. Section 845.310, Government Code, is amended by
 13-43 amending Subsections (a), (c), (d), and (e) and by adding
 13-44 Subsection (c-1) to read as follows:

13-45 (a) The endowment fund consists of the general reserves
 13-46 account and other accounts as necessary [~~The retirement system~~
 13-47 ~~shall deposit and hold in the endowment fund gifts, awards, funds,~~
 13-48 ~~and assets delivered to the retirement system:~~

13-49 [~~(1) that are not specifically required by the~~
 13-50 ~~system's other funds; or~~

13-51 [~~(2) that are designated by the grantor as perpetual~~
 13-52 ~~endowments for the system].~~

13-53 (c) The retirement system shall credit or charge to the
 13-54 general reserves account amounts [~~income]~~ allocated to the
 13-55 endowment fund in accordance with Section 845.315.

13-56 (c-1) As of December 31, the board of trustees shall provide
 13-57 from the general reserves account the amount needed to pay the
 13-58 retirement system's estimated operating expenses for the next
 13-59 fiscal year.

13-60 (d) The board of trustees may allocate any amount in the
 13-61 endowment fund to any other account or fund in the pension trust
 13-62 [~~shall transfer money from the general reserves account to the~~
 13-63 ~~expense fund in accordance with Section 845.311(b)].~~

13-64 (e) Any allocation of reserves to an account of a
 13-65 subdivision to which Section 842.052, 842.053, or 845.317 applies
 13-66 must be specifically authorized by board resolution [~~If the board~~
 13-67 ~~of trustees determines that the amount in the general reserves~~
 13-68 ~~account as of December 31 of any year is in excess of the amount~~
 13-69 ~~necessary to provide adequate funding and reserves for all needs~~

14-1 ~~and contingencies, the board may by resolution transfer part or all~~
 14-2 ~~of the excess to the distributable income account of the interest~~
 14-3 ~~fund for distribution].~~

14-4 SECTION 29. Section 845.311, Government Code, is amended to
 14-5 read as follows:

14-6 Sec. 845.311. EXPENSE FUND. The expense fund shall account
 14-7 for the administrative revenues and expenses of the retirement
 14-8 system [~~(a) The board of trustees by resolution recorded in its~~
 14-9 ~~minutes shall transfer from the general reserves account of the~~
 14-10 ~~endowment fund to the expense fund the amount that is needed to pay~~
 14-11 ~~the system's estimated cash outlays for administrative and~~
 14-12 ~~investment expenses for the next fiscal year].~~

14-13 [~~(b) The retirement system shall pay from the expense fund:~~
 14-14 [~~(1) administrative and maintenance expenses of the~~
 14-15 ~~system;~~

14-16 [~~(2) notes and bonds issued in accordance with Section~~
 14-17 ~~845.105; and~~

14-18 [~~(3) investment expenses of the system.]~~

14-19 SECTION 30. Sections 845.315 and 845.317, Government Code,
 14-20 are amended to read as follows:

14-21 Sec. 845.315. ANNUAL ALLOCATION OF NET INVESTMENT INCOME OR
 14-22 LOSS [~~TRANSFER OF ASSETS FROM INTEREST FUND~~]. (a) As of December
 14-23 31 of each year [~~and after the balance of the investment expenses~~
 14-24 ~~account has been transferred to the distributable income account],~~
 14-25 the board of trustees shall make the following allocations that in
 14-26 the aggregate equal the net investment income or loss for the year
 14-27 [~~transfer from the distributable income account of the interest~~
 14-28 ~~fund the following amounts]:~~

14-29 (1) to the current service annuity reserve fund,
 14-30 interest as allowed under this subtitle on the mean amount in the
 14-31 current service annuity reserve fund during that year;

14-32 (2) to the supplemental death benefits fund, interest
 14-33 as allowed under this subtitle on the mean amount in the
 14-34 supplemental death benefits fund during that year;

14-35 (3) to the general reserves account of the endowment
 14-36 fund, a positive or negative amount determined by the board [~~dollar~~
 14-37 ~~amount determined by the board of trustees as necessary to provide~~
 14-38 ~~adequate funding of the endowment fund, including provisions for~~
 14-39 ~~all special needs, all contingencies, replenishment of the amount~~
 14-40 ~~transferred during the current year to the employees saving fund~~
 14-41 ~~for interest to retiring or deceased members plus the matching~~
 14-42 ~~amount transferred to the subdivision accumulation fund, and~~
 14-43 ~~funding of investment expenses and administrative costs for the~~
 14-44 ~~following year];~~

14-45 (4) to the employees saving fund, current interest as
 14-46 allowed under this subtitle on the member account balances [~~on the~~
 14-47 ~~sum of the accumulated contributions in the employees saving fund~~
 14-48 ~~credited] on January 1 of that year of [~~to~~] all persons who are
 14-49 members on December 31 of that year [~~before any transfers for~~
 14-50 ~~retirement effective December 31 of that year are made]; [and]~~~~

14-51 (5) to the accounts of subdivisions, other than
 14-52 subdivisions otherwise described by this section, an amount derived
 14-53 by applying a positive or negative rate, as determined by the board,
 14-54 to the January 1 balances of that year; and

14-55 (6) to the accounts of subdivisions to which Section
 14-56 842.052 or 842.053 applies, positive or negative amounts as
 14-57 determined by the board [~~subdivision accumulation fund, the~~
 14-58 ~~remaining balance of the distributable income account in the~~
 14-59 ~~interest fund after transfers provided for by Subdivisions (1),~~
 14-60 ~~(2), (3), and (4) have been made].~~

14-61 (b) The account of [~~each subdivision, other than~~] a
 14-62 subdivision that has ceased participation according to Section
 14-63 845.317(a) [~~r~~] will not receive an allocation under this section [~~a~~
 14-64 ~~share of the amount transferred under Subsection (a)(5) that is in~~
 14-65 ~~proportion to the amount that the balance credited to its account on~~
 14-66 ~~January 1 bears to the total credited to the subdivision~~
 14-67 ~~accumulation fund on that date].~~

14-68 Sec. 845.317. PAYMENT TO FORMERLY PARTICIPATING
 14-69 SUBDIVISION. (a) If a participating subdivision, other than a

15-1 subdivision described by Subsection (b), has no employees who are
 15-2 members of the retirement system and has no present or potential
 15-3 liabilities resulting from the participation of former employees,
 15-4 the subdivision's participation in the system stops and the system
 15-5 shall repay to the subdivision on application any amount in the
 15-6 subdivision accumulation fund that is credited to the subdivision.

15-7 (b) If the participation of a subdivision has terminated
 15-8 under Section 842.052 or 842.053 and the subdivision has no present
 15-9 or potential liabilities resulting from the participation of
 15-10 current or former employees, the retirement system, after
 15-11 application by the subdivision or its successor in interest, shall
 15-12 pay to the subdivision or its successor any remaining credit to the
 15-13 account of the subdivision in the subdivision accumulation fund [a
 15-14 participating subdivision does not exist as a separate entity
 15-15 because it has merged or consolidated with a city or other agency
 15-16 that is not eligible to participate in the retirement system and if
 15-17 under the applicable law or merger agreement the successor is
 15-18 entitled to the assets of the subdivision, the retirement system,
 15-19 on application, shall pay to the successor the amount in the
 15-20 subdivision accumulation fund that is credited to the subdivision].

15-21 (c) A subdivision that has terminated participation in the
 15-22 retirement system has no right or claim to any amounts in the
 15-23 system, except as provided by this section.

15-24 SECTION 31. Subsections (e), (g), and (j), Section 845.403,
 15-25 Government Code, are amended to read as follows:

15-26 (e) Each [The treasurer or disbursing officer of each]
 15-27 participating subdivision shall:

15-28 (1) make deductions from each member's compensation
 15-29 for contributions to the retirement system;

15-30 (2) transmit monthly, or at the time designated by the
 15-31 board of trustees, the payroll and other pertinent information
 15-32 prescribed by the board; and

15-33 (3) pay the deductions to the board of trustees at the
 15-34 board's home office.

15-35 (g) The [treasurer or disbursing officer of a]
 15-36 participating subdivision shall make the deductions required by
 15-37 this section even if the member's compensation is reduced below the
 15-38 amount equal to the minimum compensation provided by law.

15-39 (j) Contributions picked up as provided by Subsection (i)
 15-40 shall be treated as employer contributions in determining tax
 15-41 treatment of the amounts under Section 414(h) of the United States
 15-42 Internal Revenue Code of 1986. Each employee contribution that is
 15-43 picked up [as above provided] shall be deposited as provided in
 15-44 Section 845.306 to the individual account of the member, on whose
 15-45 behalf the contribution is [they are] made, and shall be treated for
 15-46 all other purposes of this subtitle in the same manner [and with
 15-47 like effect] as if the amount had been deducted from the
 15-48 compensation of and made by the employee pursuant to Section
 15-49 [Sections] 845.402 and this section [845.403(a) through (h)].

15-50 SECTION 32. (a) The Texas County and District Retirement
 15-51 System shall reinstate, as of the termination date, the account of a
 15-52 person whose membership was terminated after December 31, 2004,
 15-53 under previous law because of an absence from service for five
 15-54 consecutive years, if the amount in the account has not been
 15-55 withdrawn. After reinstatement, the retirement system shall adjust
 15-56 the member's account to its opening balance as of January 1, 2005,
 15-57 and credit it after that date with interest as allowed under
 15-58 Subtitle F, Title 8, Government Code. For a membership that was
 15-59 terminated after December 31, 1999, and before January 1, 2006, and
 15-60 that is not reinstated, interest is computed on the balance in the
 15-61 person's individual account on January 1 of the year of termination
 15-62 through the month preceding the month in which the membership was
 15-63 terminated.

15-64 (b) Until the first pay period beginning after December 31,
 15-65 2006, a subdivision participating in the Texas County and District
 15-66 Retirement System by order or resolution may exclude from
 15-67 membership in the retirement system as a class persons who fill a
 15-68 permanent position or office in the subdivision that normally
 15-69 requires services from the person for less than 900 hours a year and

16-1 persons described by Section 842.105, Government Code, as amended
16-2 by this Act, who are employed in a position that normally requires
16-3 services for less than 900 hours a year by a community supervision
16-4 and corrections department. The optional exclusion from membership
16-5 authorized by this subsection ceases on the earlier of the date
16-6 specified by a subdivision in an order or resolution or the first
16-7 pay period beginning after December 31, 2006.

16-8 (c) A subdivision that elects to include persons as members
16-9 of the Texas County and District Retirement System under former
16-10 Section 842.201, Government Code, may, before April 1, 2006, elect
16-11 to discontinue active participation of those persons in the
16-12 retirement system by notifying the system and those persons in a
16-13 manner the system prescribes.

16-14 SECTION 33. The following provisions of the Government Code
16-15 are repealed:

- 16-16 (1) Section 842.003;
- 16-17 (2) Section 842.008;
- 16-18 (3) Section 842.009;
- 16-19 (4) Section 842.010;
- 16-20 (5) Section 842.102;
- 16-21 (6) Section 842.103;
- 16-22 (7) Section 842.111;
- 16-23 (8) Subchapter C, Chapter 842;
- 16-24 (9) Section 843.203;
- 16-25 (10) Section 843.204;
- 16-26 (11) Subchapter D, Chapter 843;
- 16-27 (12) Section 843.402;
- 16-28 (13) Section 843.602;
- 16-29 (14) Subsections (d) and (e), Section 845.309;
- 16-30 (15) Subsections (b) and (f), Section 845.310; and
- 16-31 (16) Subsection (c), Section 845.403.

16-32 SECTION 34. This Act takes effect January 1, 2006, except
16-33 that the change in law made by this Act to Subsection (a), Section
16-34 844.704, Government Code, takes effect December 31, 2006.

16-35 * * * * *