

## **BILL ANALYSIS**

Senate Research Center  
80R3258 KFF-F

S.B. 681  
By: Williams  
State Affairs  
4/10/2007  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

In 1947, the legislature created the Texas Municipal Retirement System (system) to provide retirement, disability, and death benefits to officers and employees of municipalities participating in the system. Since its inception, the system has grown to include more than 800 municipalities and more than 133,000 members, retirees, and other beneficiaries. Statutory change regarding the operation of this system may be necessary to accommodate this growth and to give municipalities more options and more flexibility to meet the needs of their employees.

As proposed, S.B. 681 provides that a person may return to work in the same city from which the person retired after one calendar month of retirement without the person's retirement benefit being suspended. This bill adds new matching ratios for municipalities to choose from and allows cities to make additional contributions to the system above the calculated rate on a voluntary basis. This bill authorizes the board of trustees of the system to set amortization periods for funding pension liabilities up to 25 years and to permit distributions to qualified health insurance providers for retired public safety officers under the federal Pension Protection Act.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the board of trustees of the Texas Municipal Retirement System in SECTION 1 (Section 851.006, Government Code), SECTION 3 (Section 853.402, Government Code), SECTION 6 (Section 855.110, Government Code), and SECTION 7 (Section 855.4065, Government Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 851.006, Government Code, as follows:

Sec. 851.006. EXEMPTION FROM EXECUTION. (a) Provides that retirement annuity payments, other benefit payments, and the accumulated contributions made by a member of the Texas Municipal Retirement System (member), are unassignable and exempt from execution and other certain actions, except as provided by Subsection (b).

(b) Authorizes the board of trustees of the Texas Municipal Retirement System (board), by rule, to authorize the Texas Municipal Retirement System (retirement system) to make distributions to pay the qualified health insurance premiums of a public safety officer in accordance with the provisions of Section 845 (Distributions From Governmental Retirement for Health and Long-Term Care Insurance for Public Safety Officials) of the federal Pension Protection Act of 2006.

SECTION 2. Amends Subchapter B, Chapter 852, Government Code, by adding Section 852.1081, as follows:

Sec. 852.1081. RESUMPTION OF SERVICE BY RETIREE. (a) Provides that a person who has retired from a municipality participating in the retirement system with a service retirement annuity (annuity) based on a bona fide termination of employment to resume membership in the retirement system without suspension of that annuity if the person becomes an employee of the person's most recently employed participating municipality no sooner than one calendar month after the effective date of the person's retirement

(retirement date), or if the person becomes an employee of a participating municipality by which the person was not most recently employed after the person's effective retirement date.

(b) Provides that a person who resumes employment with the person's most recently employed participating municipality less than one calendar month after the retirement date is considered to not have retired with that municipality. Provides that the person's annuity will be discontinued and the person's membership in the retirement system will be restored, and requires the person to return any payments received. Provides that appropriate adjustments be made for any unreturned amounts.

(c) Provides that a person who rejoins the retirement system for reasons listed under Subsection (a) is considered a new member for purposes of beneficiary determinations and benefit selections.

(d) Provides that a person who has previously retired with an annuity, who has terminated employment with a participating municipality, and meets requirements set under Subsection (a), is eligible to apply for and to receive an additional standard or optional annuity, or a refund of the member's accumulated contributions for service with the municipality, regardless of age or credited service requirements.

(e) Provides for a person who dies before any payments are made in relation to Subsection (d) to have payment made in the manner provided by Section 854.105 (Selection of Optional Service Retirement Annuity), Government Code.

SECTION 3. Amends Section 853.402, Government Code, by adding Subsection (a-1), to authorize the board by rule to limit the increase in a member's average updated service compensation from year to year.

SECTION 4. Amends Section 853.402(c), Government Code, effective January 1, 2009, by including certain matching ratios in determining the amount credited to the member's individual account for purposes of computing a member's base updated service credit.

SECTION 5. Amends Section 853.601(a), Government Code, effective January 1, 2009, as follows:

(a) Deletes existing text specifying a point on or after January 1, 1984, past which a governing body of a participating municipality is authorized by approved ordinance, to provide updated service credits to the retirement system based prior service with certain requirements and entities. Makes a conforming change. Requires that all unforfeited credited service performed by the member by reason of previous employment in other participating municipalities to be treated as if performed in the service of the municipality adopting the ordinance, and for that amount to be reduced by an amount equal to a certain number being multiplied by the amount credited to the member's individual accounts, subject to certain matching ratios. Creates Subdivision (6) from existing text.

SECTION 6. Amends Section 855.110, Government Code, by adding Subsection (c), to authorize the board, by rule and after consultation with the actuary, to set open or closed amortization periods not to exceed 25 years.

SECTION 7. Amends Subchapter E, Chapter 855, Government Code, by adding Section 855.4065, as follows:

Sec. 855.4065. **ADDITIONAL EMPLOYER CONTRIBUTIONS.** (a) Authorizes the board, by rule and after consultation with the actuary, to authorize a participating municipality to make lump-sum or periodic employer contributions to the retirement system to be deposited in the municipality's account in the municipality accumulation fund.

(b) Exempts an employer contribution from the maximum contribution rates under Sections 855.407 (Limitation on Municipality Contribution Rates) and 855.501 (Increased Current Service Annuities), Government Code.

SECTION 8. Amends Sections 855.501(b), (e), (h), and (i), Government Code, effective January 1, 2009, as follows:

(b) Requires a municipality, upon election of that municipality's governing body to provide for increased reserves by ordinance (elect to increase reserves), to provide for each month of a member's current service rendered a contribution from the municipality's account in the municipality accumulation fund equal to 125, 150, 175, or 200 percent, rather than 150 or 200 percent, of the member's accumulated contribution to the retirement system for that month.

(e) Provides that a municipality that has elected to increase reserves is liable for total contributions at a rate that is not to exceed the applicable maximum rate prescribed by this subsection, rather than a rate equal to the maximum rate prescribed for the municipality. Establishes certain maximums on total contributions based on the total maximum contribution rate prescribed by Section 855.407 (Limitation on Municipality Contributions) and an additional amount of percent based on the contribution rate elected by a municipality to increase reserves. Deletes existing text specifying a contribution rate on the part of the municipality of either 150 or 200 percent for a year and requiring the maximum contribution rate as being that prescribed by Section 855.407 plus two or four percent a year, respectively.

(h) Authorizes a municipality electing to increase reserves to reduce its contribution rate to 125, 150, or 175 percent, rather than 150 percent, of the member contributions or to a rate equal to the member contributions.

(i) Authorizes a municipality electing to increase reserves, by ordinance, to agree to be liable for total contributions at a rate that is not to exceed the applicable maximum rate prescribed by this subsection if the contribution rate for a participating municipality's employees is six or seven percent. Sets forth the maximum rates applicable to different contribution rates by both the municipality and its employees. Deletes existing text authorizing a municipality electing to increase reserves and electing a contribution rate of 150 percent per year to be liable for total contributions at a rate that does not exceed a rate equal to the maximum rate prescribed by Section 855.407 plus two and one-half percent for contribution rate by employees of six percent and plus three percent for a contribution rate by employees of seven percent.

SECTION 9. Repealers:

(a) Section 853.402(g) (regarding service compensation for municipality employees who did not apply for retirement before terminating employment), Government Code, effective September 1, 2007.

(b) Sections 852.108 (Resumption of Service with Same Employer by Retiree) and 852.109 (Resumption of Service with Different Employer by Retiree), Government Code, effective January 1, 2008.

(c) Section 855.501(j) (regarding a municipality's liability for total contributions), Government Code, effective January 1, 2009.

SECTION 10. (a) Entitles a person who resumed employment after retirement and whose annuity was suspended under 852.108 (Resumption of Service with Same Employer by Retiree) to the resumption of monthly annuity payments if the person meets the requirements of Section 852.1081(a)(1), Government Code.

(b) Requires the retirement system to resume making monthly annuity payments to a person entitled to the resumption of those payments as described in Subsection (a) on the first payment date occurring on or after January 1, 2008.

(c) Provides that a person who is entitled to the resumption of monthly annuity payments under this section is not entitled to recover payment for annuity payments not made during the period the person's annuity was suspended under former Section 852.108, Government Code, repealed by this Act.

SECTION 11. Makes application of Sections 853.402(c) and 853.601(a), Government Code, as added by this Act, prospective to January 1, 2009.

SECTION 12. Makes application of the repeal of Section 853.402(g), Government Code, prospective to September 1, 2007.

SECTION 13. Makes application of Section 855.401 (Increased Current Service Annuities), Government Code, prospective to January 1, 2009.

SECTION 14. Effective date: September 1, 2007, except as provided by Subsection (b).

(b) Effective date for Sections 851.006 (Exemption from Execution), 852.1081 (Resumption of Service by Retiree), 853.402(a-1), 855.110(c), and 855.4065 (Additional Employer Contributions): January 1, 2008.