

**BILL ANALYSIS**

Senate Research Center  
80R2998 KEF-F

S.B. 976  
By: Brimer  
Intergovernmental Relations  
3/20/2007  
As Filed

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

For many years, pension systems for public employees have been created in statute rather than as stand-alone local plans. Two purposes are achieved by establishing a statutory system instead of a local plan. First, the fiscal soundness of the fund is more stable since significant changes to it must go through several processes before being finalized. Second, accountability to the taxpayer is improved due to oversight by the legislature.

As proposed, S.B. 976 creates a public retirement system in municipalities with a population of 500,000 or more that has established, by municipal ordinance, a single unitary public retirement system for employees of all departments of the municipality. S.B. 976 adds a system of checks and balances to the process by which changes to certain municipal retirement systems are made to benefits and/or municipal contributions. The rules and regulations that are now in place continue to govern, except those that are in conflict with this bill and all changes will continue to be made locally.

**RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to any state officer, institution, or agency.

**SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Title 109, Revised Statutes, by adding Article 6243i, as follows:

Art. 6243i. UNITARY RETIREMENT SYSTEM FOR CERTAIN MUNICIPALITIES

PART 1. GENERAL PROVISIONS

Sec. 1.01. APPLICABILITY. Provides that this section applies to a municipality with a population of 500,000 or more that has established, by municipal ordinance, a single unitary public retirement system for employees of all departments of the municipality.

Sec. 1.02. DEFINITIONS. Defines "administrative rules," "board of trustees," "governing body," "participating member," "participating retiree," "pension office," "public retirement system," "retirement fund," "rule amendment," "survivor," and "vested."

PART 2. MEMBERSHIP

Sec. 2.01. GENERAL MEMBERSHIP REQUIREMENT. Sets forth conditions under which a person is a participating member of the public retirement system.

PART 3. CREDITABLE SERVICE

Sec. 3.01. TYPES OF CREDITABLE SERVICE. Requires the board of trustees of the public retirement system (board) to establish, by rule, the types of services for which a participating member earns credit.

Sec. 3.02. BENEFIT ELIGIBILITY BASED ON CREDITED SERVICE. Provides that a participating member's eligibility to receive a service retirement plan benefit is based on credited service at the time of retirement.

#### PART 4. BENEFITS

Sec. 4.01. TYPES OF BENEFITS. Provides that the types and calculations of benefits provided by the retirement system are determined in accordance with certain administrative rules and amendments to those rules.

Sec. 4.02. AMENDMENTS CONCERNING BENEFIT PROGRAMS OR PLANS. (a) Authorizes an amendment to the administrative rules governing the benefit plan or program of the public retirement system (administrative rules) to be made only if certain actions have been taken.

(b) Sets forth to whom an amendment to the administrative rules apply.

(c) Requires the benefits of a participating retiree or survivor to be recalculated using the amended formula or calculation if an amendment changes the basic formula or any other calculation of benefits.

(d) Requires an election under Subsection (a) to be by secret ballot. Requires the pension office to conduct the election and requires the board of trustees to canvass the vote if a special election is called.

(e) Provides that a person who is a participating member on the date of an election under this section is eligible to vote in the election.

(f) Prohibits an amendment to the administrative rules from depriving a person, without the person's written consent, of the person's right to receive benefits from the retirement that are fully vested.

(g) Provides that an amendment to the administrative rules becomes effective immediately on approval by the participating members.

#### PART 5. ADMINISTRATION

Sec. 5.01. COMPOSITION OF THE BOARD OF TRUSTEES. Sets forth the composition requirements of the board of trustees, the manner in which officers are designated, and terms for members of the board.

Sec. 5.02. BOARD POWERS AND DUTIES. (a) Requires the board to administer the public retirement system, including the retirement fund thereof.

(b) Authorizes the board to adopt amendments to the administrative rules in accordance with Sections 4.02, 5.06, 5.07, and 5.08.

Sec. 5.03. BOARD CHAIR. Requires the board to elect a chair from the membership of the board.

Sec. 5.04. QUORUM; VOTING. (a) Entitles each member of the board to one vote, except as provided by Subsection (b).

(b) Authorizes the chair to vote only in the event of a tie.

(c) Provides that six members of the board constitute a quorum to transact the business of the board, except as provided by Subsection (d).

(d) Provides that the number of members required to constitute a quorum is reduced by the number of vacancies on the board, if there is a vacancy on the board.

Sec. 5.05. QUALIFIED ACTUARY. (a) Authorizes the board to employ a qualified actuary.

(b) Requires an actuary to be a fellow of the Society of Actuaries, or a member of the American Academy of Actuaries to be a qualified actuary.

Sec. 5.06. RULE AMENDMENTS ADOPTED BY BOARD OF TRUSTEES. (a) Sets forth conditions under which the board is authorized to adopt amendments to the administrative rules.

(b) Provides that an amendment to the administrative rules adopted in accordance with this section become effective immediately unless otherwise provided by the amendment.

Sec. 5.07. AMENDMENTS CONCERNING CONTRIBUTIONS BY MUNICIPALITY. (a) Sets forth conditions under which an amendment is authorized to be made to the administrative rules governing municipal contributions.

(b) Provides that the proposed amendment under Subsection (a)(4) of this section takes effect on the 60th day after the date the votes if the special election are canvassed if the board or governing body has not approved or rejected the amendment by that date.

(c) Requires the pension office to conduct a special election under Subsection (a) by secret ballot. Requires the board to canvass the vote.

(d) Provides that a person who is a participating member on the date of the special election is eligible to vote in that election.

(e) Provides that an amendment to the administrative rules becomes effective immediately on approval by the board or the governing body, as applicable unless otherwise provided by the proposed amendment and except as provided by Subsection (b).

Sec. 5.08. EMERGENCY, ROUTINE, OR STATUTORILY REQUIRED AMENDMENTS. (a) Authorizes the board, unless an amendment requires adoption in accordance with Section 4.02 or 5.07 of this article, to adopt emergency, routine, or statutorily required amendments to the administrative rules required by state or federal law if the board by unanimous vote of the members present and voting agrees that the amendment is an emergency, routine, or statutorily required amendment, and approves the amendment.

(b) Provides that an amendment adopted in accordance with this section is an automatic agenda item for the next regular meeting of the board and is subject to review or repeal by the board at that meeting.

SECTION 2. (a) Provides that the administrative rules governing the public retirement system of a municipality to which this Act applies continue in effect on and after the effective date of this Act.

(b) Makes application of Sections 4.02, 5.06, 5.07, and 5.08, Article 6243i, Revised Statutes, as added by this Act, prospective.

SECTION 3. (a) Requires a board charged with administering the public retirement system to be elected or appointed as soon as practicable after the effective date of this Act.

(b) Provides that the term of membership for a person who is a member of the board or other board administering the public retirement system on the effective date of this Act expires on the date that a majority of new board members has been elected or appointed.

SECTION 4. Effective date: upon passage or September 1, 2007.