

1-1 By: Kuempel (Senate Sponsor - Brimer) H.B. No. 1587
1-2 (In the Senate - Received from the House May 3, 2007;
1-3 May 7, 2007, read first time and referred to Committee on State
1-4 Affairs; May 17, 2007, reported favorably by the following vote:
1-5 Yeas 8, Nays 0; May 17, 2007, 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. Section 841.001, Government Code, is amended by
1-13 amending Subdivisions (7) and (18) and adding Subdivision (7-a) to
1-14 read as follows:

1-15 (7) "Credited service" means the number of months of
1-16 prior, ~~and~~ current, and optional service ascribed to a member in
1-17 the retirement system.

1-18 (7-a) "Director" means the person appointed as
1-19 director under Section 845.202.

1-20 (18) "Optional group term life ~~[Supplemental death~~
1-21 ~~benefit]~~ program" means the voluntary, employer-funded optional
1-22 death benefit program established under Subchapter F, Chapter 844.

1-23 SECTION 2. Section 841.004, Government Code, is amended to
1-24 read as follows:

1-25 Sec. 841.004. POWERS, [AND] PRIVILEGES, AND IMMUNITIES.

1-26 (a) The retirement system is a governmental entity and has the
1-27 powers, privileges, and immunities of a corporation, as well as the
1-28 powers, privileges, and immunities conferred by this subtitle.

1-29 (b) The board of trustees, director, investment officer,
1-30 and employees of the retirement system are not liable for any action
1-31 taken or omission made or suffered by them in the good faith
1-32 performance of any duty in connection with any program or benefit
1-33 administered by the retirement system.

1-34 SECTION 3. Section 841.008, Government Code, is amended by
1-35 amending Subsections (a) and (b) and by adding Subsection (c-1) to
1-36 read as follows:

1-37 (a) The board of trustees may accept an application for any
1-38 benefit under this subtitle that is signed on behalf of a person
1-39 entitled to the benefit by:

1-40 (1) an appointed guardian of the person and estate of
1-41 the person; or

1-42 (2) an attorney in fact authorized to act on behalf of
1-43 the person by a written power of attorney that provides that the
1-44 power is not revoked by disability of the person, except that an
1-45 attorney in fact who is not the person's spouse may not select a
1-46 benefit in which the attorney in fact or a direct ancestor or lineal
1-47 descendant of the attorney in fact is a named beneficiary, unless
1-48 the attorney in fact designates as the person's beneficiary:

1-49 (A) the same individuals, with the same share of
1-50 the benefit that each would have received if the person had died
1-51 immediately before the beneficiary designation by the attorney in
1-52 fact; or

1-53 (B) all individuals who bear the same
1-54 relationship to the attorney in fact, with the same share of the
1-55 benefit that each would have received [each individual who would be
1-56 entitled to the entire benefit] if the person had died intestate.

1-57 (b) If it is made to appear to the director by affidavit of a
1-58 licensed physician that a person entitled to a benefit is not
1-59 mentally capable of managing the person's own affairs, and if the
1-60 director reasonably believes [it is further established to the
1-61 satisfaction of the director] that the estate of the person is
1-62 insufficient to justify the expense of establishing a guardianship,
1-63 or continuing a guardianship after letters of guardianship have
1-64 expired, then until current letters of guardianship are filed with

2-1 the retirement system, the director may make payment of any annuity
 2-2 or other benefit:

2-3 (1) to the spouse of the person, as trustee for the
 2-4 person; ~~or~~

2-5 (2) to an individual or entity actually providing for
 2-6 the needs of and caring for the person, as trustee for the person;
 2-7 or

2-8 (3) to a public agency or private charitable
 2-9 organization providing assistance or services to the aged or
 2-10 incapacitated that agrees to accept and manage the payment for the
 2-11 benefit of the person as a trustee ~~[until current letters of~~
 2-12 ~~guardianship are filed with the retirement system].~~

2-13 (c-1) If the director reasonably believes that the
 2-14 individual or entity accepting benefits for the person has breached
 2-15 a fiduciary duty owed to the person or is failing to act in the
 2-16 interest of or for the benefit of the person and the person may
 2-17 suffer personal or financial harm as a result, the retirement
 2-18 system, on giving notice to the individual or entity receiving
 2-19 payments on behalf of the person, may cease making payments to the
 2-20 individual or entity. Thereafter, the system may make payment of
 2-21 any annuity or other benefit in a manner provided by Subsection (b).
 2-22 This subsection does not apply if a court of competent jurisdiction
 2-23 has appointed the individual or entity accepting benefits for the
 2-24 person.

2-25 SECTION 4. Section 842.001(d), Government Code, is amended
 2-26 to read as follows:

2-27 (d) Subject to the approval of the board of trustees, an
 2-28 electing subdivision under this section may begin participation in
 2-29 the retirement system on the date specified ~~[first day of any month~~
 2-30 ~~designated]~~ by the subdivision's governing body.

2-31 SECTION 5. Section 842.002, Government Code, is amended to
 2-32 read as follows:

2-33 Sec. 842.002. RULES FOR PARTICIPATING SUBDIVISIONS. The
 2-34 board of trustees may adopt rules concerning:

2-35 (1) notices, information, and reports the board of
 2-36 trustees requires from a subdivision that elects to participate in
 2-37 the retirement system;

2-38 (2) the time that a subdivision that elects to
 2-39 participate in the retirement system may begin participation and
 2-40 the actions that subdivision may take in anticipation of board
 2-41 approval under Section 842.001; and

2-42 (3) the powers and duties of a participating
 2-43 subdivision to adopt orders or resolutions, make elections, and
 2-44 otherwise exercise decision-making authority concerning the rights
 2-45 and benefits of the members and annuitants under a plan adopted or
 2-46 assumed by the subdivision.

2-47 SECTION 6. Section 842.004, Government Code, is amended to
 2-48 read as follows:

2-49 Sec. 842.004. OPTIONAL GROUP TERM LIFE PROGRAM
 2-50 [SUPPLEMENTAL DEATH BENEFITS FUND]. (a) A subdivision
 2-51 participating in the retirement system may elect to participate in
 2-52 the optional group term life program ~~[supplemental death benefits~~
 2-53 ~~fund].~~

2-54 (b) A subdivision that elects to participate in the program
 2-55 ~~[fund]~~ may elect coverage providing postretirement death benefits
 2-56 in addition to coverage providing in-service death benefits.

2-57 (c) ~~[Before a subdivision that has fewer than 10 employees~~
 2-58 ~~who are members of the retirement system is permitted to~~
 2-59 ~~participate in the fund, the board of trustees may require the~~
 2-60 ~~subdivision to provide evidence that is satisfactory to the board~~
 2-61 ~~that the members are in good health. The board of trustees may allow~~
 2-62 ~~participation in the fund by those subdivision employees who are in~~
 2-63 ~~good health on the effective date of participation and exclude~~
 2-64 ~~those subdivision employees who are not in good health at that time.~~

2-65 ~~[(d)]~~ A subdivision that elects to participate in the
 2-66 program ~~[fund]~~ may begin participation on the first day of any month
 2-67 after the month in which the subdivision gives notice of its
 2-68 election to the board of trustees.

2-69 (d) ~~[(e)]~~ If before November 1 of any year a subdivision

3-1 gives written notice of its intention to the retirement system, the
 3-2 subdivision may terminate coverage under and discontinue
 3-3 participation in the program [~~supplemental death benefits fund~~]. A
 3-4 termination under this subsection is effective on January 1 of the
 3-5 year following the year in which notice is given.

3-6 (e) [~~(f)~~] If a subdivision has previously discontinued
 3-7 participation in the program [~~fund~~], the board of trustees in its
 3-8 discretion may restrict the right of the subdivision to participate
 3-9 again.

3-10 SECTION 7. Subchapter A, Chapter 842, Government Code, is
 3-11 amended by adding Section 842.008 to read as follows:

3-12 Sec. 842.008. PARTIAL ASSUMPTION BY TRANSFEREE
 3-13 SUBDIVISION. If a function or activity previously performed by
 3-14 employees of a participating subdivision is transferred to or
 3-15 otherwise taken over by another participating subdivision and any
 3-16 of the employees performing the function or activity transfer to
 3-17 and become employees of the subdivision taking over the function or
 3-18 activity, with the consent of and on terms approved by the board of
 3-19 trustees, the pension liabilities accrued by the transferring
 3-20 employees for service with the transferring subdivision, together
 3-21 with an appropriate portion of trust assets in the account of the
 3-22 transferring subdivision, may be treated as and considered to be a
 3-23 separate account and pension liabilities of the subdivision taking
 3-24 over the function or activity.

3-25 SECTION 8. Section 842.052(d), Government Code, is amended
 3-26 to read as follows:

3-27 (d) On full performance of the termination agreement, the
 3-28 subdivision is released from all liability for its accrued benefits
 3-29 and supplemental annuities. The retirement system shall make
 3-30 transfers from the subdivision's account to the appropriate funds
 3-31 within the system in amounts actuarially equivalent to the accrued
 3-32 benefits and supplemental annuities. The retirement system shall
 3-33 pay any amounts remaining in the subdivision's account after
 3-34 satisfaction of all the subdivision's pension liabilities to the
 3-35 subdivision or its governmental successor in interest in accordance
 3-36 with Section 845.317(b).

3-37 SECTION 9. Sections 842.053(d) and (e), Government Code,
 3-38 are amended to read as follows:

3-39 (d) Beginning with a date specified by the board, the
 3-40 retirement system shall value the accrued benefits and supplemental
 3-41 annuities with respect to the subdivision's participation as
 3-42 immediately payable under this subchapter. If the assets in the
 3-43 subdivision's account exceed the actuarial equivalent value of
 3-44 pension benefits, the subdivision is released from all liability
 3-45 with respect to the accrued benefits and supplemental annuities.
 3-46 The retirement system shall make transfers from the subdivision's
 3-47 account to the appropriate funds within the system in amounts
 3-48 actuarially equivalent to all accrued benefits and supplemental
 3-49 annuities. The retirement system shall pay any amount remaining in
 3-50 the subdivision's account after satisfaction of all the
 3-51 subdivision's pension liabilities to the subdivision or its
 3-52 governmental successor in interest in accordance with Section
 3-53 845.317(b).

3-54 (e) If the actuarial equivalent value of pension benefits
 3-55 exceeds the assets in the subdivision's account, the subdivision or
 3-56 its governmental successor in interest may make a contribution in
 3-57 any amount to the subdivision's account. The retirement system
 3-58 shall transfer the assets of the subdivision's account in the
 3-59 subdivision accumulation fund to appropriate funds within the
 3-60 system and allocate the assets as provided by Sections
 3-61 842.054-842.057.

3-62 SECTION 10. Section 842.101(b), Government Code, is amended
 3-63 to read as follows:

3-64 (b) Except as otherwise provided by this subtitle or by
 3-65 rules adopted by the board of trustees, the rights and benefits of a
 3-66 member are determined separately with respect to each subdivision
 3-67 with which the member has credited service.

3-68 SECTION 11. Section 842.106, Government Code, is amended to
 3-69 read as follows:

4-1 Sec. 842.106. MULTIPLE RETIREMENT SYSTEM MEMBERSHIP. ~~[(a)]~~
 4-2 A person who is a member of ~~[an employee eligible for membership and~~
 4-3 ~~eligible to receive credit in]~~ this retirement system ~~[for service~~
 4-4 ~~performed for a participating subdivision is not eligible for~~
 4-5 ~~credit for that service in another public retirement system~~
 4-6 ~~described by Section 801.001 that is at least partly supported by~~
 4-7 ~~the subdivision at public expense. It is the responsibility of the~~
 4-8 ~~subdivision to enforce this provision.~~

4-9 ~~[(b) A person may simultaneously be a member of this~~
 4-10 ~~retirement system]~~ and another state or local retirement system
 4-11 authorized under Section 67, Article XVI, Texas Constitution, ~~[-~~
 4-12 ~~However, a person]~~ may receive a benefit from this system only to
 4-13 the extent that the amount of the benefit is computed solely on the
 4-14 member's ~~[compensation and]~~ accumulated contributions and service
 4-15 credit in this [the] system. Service credited by another
 4-16 retirement system may not be used to determine eligibility for a
 4-17 benefit in this retirement system except as provided by Chapter
 4-18 803.

4-19 SECTION 12. Sections 842.109(a) and (b), Government Code,
 4-20 are amended to read as follows:

4-21 (a) A person terminates membership in the retirement system
 4-22 by:

4-23 (1) ~~[death,~~
 4-24 ~~[-2-]]~~ retirement from all participating subdivisions
 4-25 with which the person has service credit; or

4-26 (2) ~~[-3-]]~~ withdrawal of all of the person's
 4-27 accumulated contributions.

4-28 (b) Unless terminated under Subsection (a), a [A] person's
 4-29 membership in the retirement system terminates on the earlier of
 4-30 the date of the person's death or the last day of the month ending
 4-31 before the person's [may not extend beyond the] required beginning
 4-32 date determined in accordance with Section 841.010.

4-33 SECTION 13. Section 842.112, Government Code, is amended by
 4-34 amending Subsections (e) and (f) and adding Subsections (f-1) and
 4-35 (f-2) to read as follows:

4-36 (e) If the act of a third person causes the retirement
 4-37 system to make a payment of a survivor benefit or death benefit to
 4-38 someone other than the person entitled to the payment, the system
 4-39 shall, after receiving credible evidence of an erroneous payment,
 4-40 determine the beneficiary ~~[person]~~ entitled to the benefit and, if
 4-41 necessary, adjust future payments to the extent practicable to
 4-42 ensure that the present value of the remainder of the benefit will
 4-43 be paid to the person entitled to it.

4-44 (f) The retirement system is not liable to any person for
 4-45 any payments described by Subsection (e) made before the date the
 4-46 system receives credible evidence of an erroneous payment. Any
 4-47 payments made before that date are a complete discharge of the
 4-48 system's responsibility for those payments and benefits.

4-49 (f-1) If, pursuant to a valid application for a withdrawal
 4-50 or for retirement, the retirement system issues a check made
 4-51 payable to the applicant, properly addressed as directed on the
 4-52 application and sent by first-class mail, and the check is
 4-53 negotiated by any person, the system is not liable to any person
 4-54 with respect to the payment after the first anniversary of the date
 4-55 the check was mailed.

4-56 (f-2) If, pursuant to a valid application for a withdrawal
 4-57 or for retirement, the retirement system causes funds to be
 4-58 electronically transferred to the account specified on the
 4-59 application, the system is not liable to any person for that payment
 4-60 or any claim relating to the payment beginning on the date of the
 4-61 transfer.

4-62 SECTION 14. Subchapter B, Chapter 842, Government Code, is
 4-63 amended by adding Section 842.114 to read as follows:

4-64 Sec. 842.114. BURDEN OF PROOF. (a) A person disputing the
 4-65 validity of a form, application, or other document filed with the
 4-66 retirement system has the burden of proving the document to be
 4-67 false, fraudulent, or otherwise invalid.

4-68 (b) A person seeking a correction based on an error caused
 4-69 by an act or omission of the retirement system or a subdivision has

5-1 the burden of proving the error and the act or omission causing the
 5-2 error.

5-3 (c) A person described by Subsection (a) or (b) has the
 5-4 burden of showing:

5-5 (1) reasonableness and diligence in discovering the
 5-6 invalidity or error; and

5-7 (2) timeliness in notifying the retirement system or
 5-8 the appropriate subdivision.

5-9 SECTION 15. Section 843.001, Government Code, is amended to
 5-10 read as follows:

5-11 Sec. 843.001. TYPES OF CREDITABLE SERVICE. The types of
 5-12 service creditable as credited service in the retirement system are
 5-13 prior service, ~~[and]~~ current service, and optional service.

5-14 SECTION 16. Sections 843.003 and 843.0031, Government Code,
 5-15 are amended to read as follows:

5-16 Sec. 843.003. AUTHORIZATION TO REESTABLISH ~~[REESTABLISHING~~
 5-17 ~~CREDITED SERVICE AND]~~ SERVICE CREDIT PREVIOUSLY FORFEITED. (a) An
 5-18 eligible member who has withdrawn contributions from the retirement
 5-19 system may reestablish the forfeited service credit in the system
 5-20 if the current service on which the credit was based was performed
 5-21 for a participating subdivision the governing body of which by
 5-22 order authorizes reestablishment of the credit by eligible employee
 5-23 members of the subdivision.

5-24 (b) A member eligible to reestablish service credit under
 5-25 this section is one who is a member as an employee of the
 5-26 subdivision on the effective date of an order authorized by the
 5-27 subdivision under Subsection (a).

5-28 (c) A member eligible under this section may reestablish
 5-29 service credit by depositing with the retirement system in a lump
 5-30 sum the amount withdrawn from the system, plus a withdrawal charge
 5-31 computed at an annual rate of five percent from the date of
 5-32 withdrawal to the date of redeposit.

5-33 (d) Prior service credit forfeited because of a withdrawal
 5-34 of contributions may not be reestablished under this section ~~[A~~
 5-35 ~~governing body may not make an order under Subsection (a) except on~~
 5-36 ~~the terms provided by Subchapter H, Chapter 844].~~

5-37 Sec. 843.0031. ~~[ALTERNATIVE]~~ REESTABLISHMENT OF CREDITED
 5-38 SERVICE ~~[PREVIOUSLY FORFEITED]~~; OPTION TO PAY LUMP-SUM AMOUNT. (a)
 5-39 A member who has withdrawn contributions from the retirement system
 5-40 and who subsequently resumes employment with a subdivision may by
 5-41 application to the system at any time before retirement reestablish
 5-42 forfeited prior, ~~[and]~~ current, and optional credited service.

5-43 (b) A member who has withdrawn contributions from the
 5-44 retirement system and who subsequently resumes employment with a
 5-45 subdivision may at any time before retirement pay to the system a
 5-46 lump sum in any amount that does not exceed the actuarial present
 5-47 value of the additional benefits that would have been attributable
 5-48 to the withdrawn contributions. Any amount paid under this
 5-49 subsection and interest accrued on the amount may not be considered
 5-50 in the computation of service credits.

5-51 (c) With respect to the account with the subdivision for
 5-52 which contributions had been withdrawn, after the date an amount is
 5-53 deposited under Subsection (b), the member is ineligible to
 5-54 reestablish any service credit with the subdivision that had been
 5-55 forfeited before the date of redeposit ~~[An amount paid under~~
 5-56 ~~Subsection (b) is not subject to employer matching contributions],~~
 5-57 even if the member would otherwise be eligible under an order
 5-58 adopted under Section 843.003.

5-59 SECTION 17. Section 843.102, Government Code, is amended to
 5-60 read as follows:

5-61 Sec. 843.102. ELIGIBILITY FOR PRIOR SERVICE CREDIT. (a) A
 5-62 ~~[Except as provided by Section 843.108, a]~~ member is eligible to
 5-63 receive service credit in the retirement system for prior service
 5-64 if the member ~~[+~~

5-65 ~~[-1-]]~~ became a member as an employee of a subdivision:
 5-66 (1) on the effective date of the subdivision's
 5-67 participation in the retirement system; or

5-68 (2) [became a member as an employee of a subdivision]
 5-69 before the second [~~fifth~~] anniversary of the effective date of its

6-1 participation and continues as an employee of the subdivision for
6-2 at least six months [~~five consecutive years~~] after reemployment.

6-3 (b) The board of trustees may adopt rules concerning
6-4 eligibility for prior service credit under Subsection (a).

6-5 (c) A person who has withdrawn contributions from an account
6-6 for service for a subdivision and who subsequently resumes
6-7 employment with the subdivision is not eligible to receive service
6-8 credit under this section for prior service for the subdivision
6-9 [~~that was not established before the person withdrew the~~
6-10 ~~contributions~~].

6-11 SECTION 18. Sections 843.104(a) and (d), Government Code,
6-12 are amended to read as follows:

6-13 (a) A member eligible to receive prior service credit may
6-14 claim the credit by filing a detailed statement of the service with
6-15 the subdivision for which the service was performed. After the
6-16 statement is filed [~~As soon as practicable after a member files a~~
6-17 ~~statement of prior service under Section 843.103~~], the subdivision
6-18 shall [~~employing the officer receiving the statement shall verify~~
6-19 ~~the prior service claimed and~~] certify [~~to the board of trustees~~]
6-20 the amount of the member's prior service [~~approved~~] and the member's
6-21 average prior service compensation.

6-22 (d) The board of trustees may adopt rules concerning
6-23 [~~verification and~~] certification of service and the definition and
6-24 computation of average prior service compensation under this
6-25 section.

6-26 SECTION 19. Section 843.105, Government Code, is amended to
6-27 read as follows:

6-28 Sec. 843.105. DETERMINATION OF MAXIMUM AND ALLOCATED PRIOR
6-29 SERVICE CREDIT. (a) After receiving a certification of prior
6-30 service and average prior service compensation under Section
6-31 843.104, the retirement system shall credit to the member the prior
6-32 service certified and [~~board of trustees shall~~] determine the
6-33 member's maximum and allocated prior service credits.

6-34 (b) The maximum prior service credit is an amount equal to
6-35 the accumulation at interest of a series of equal monthly amounts
6-36 for the number of months of certified [~~approved~~] prior service.
6-37 Each monthly amount equals twice the subdivision's initial deposit
6-38 rate, times the member's average prior service compensation.
6-39 Interest is allowed at the end of each 12-month period on an
6-40 accumulated amount at the beginning of each period and is credited
6-41 only for each whole 12-month period. The rate of interest allowed
6-42 on a maximum prior service credit [~~granted by a subdivision having~~
6-43 ~~an effective date of participation in the retirement system after~~
6-44 ~~December 31, 1981,~~] is three percent a year.

6-45 (c) Allocated prior service credit is a monetary credit
6-46 granted by a subdivision to be computed at a member's retirement
6-47 date and, together with any multiple matching credit, used in
6-48 determining a member's supplemental annuity. The allocated prior
6-49 service credit of a member is an amount equal to a percentage of the
6-50 maximum prior service credit, increased from the subdivision's
6-51 effective date of participation to the member's effective date of
6-52 retirement at the applicable rate of interest provided under this
6-53 subtitle or prior law for the period [~~The allocated prior service~~
6-54 ~~credit is the percentage of the maximum prior service credit~~
6-55 ~~granted by the subdivision to all members who performed prior~~
6-56 ~~service for the subdivision~~].

6-57 (d) The governing body of a subdivision may adopt a
6-58 percentage to be used to determine allocated prior service credits.
6-59 The rate may be limited to zero or any multiple of five percent
6-60 [~~Interest is earned on an allocated prior service credit from the~~
6-61 ~~effective date of membership to the effective date of retirement at~~
6-62 ~~the applicable rate for the period as provided by Section 845.314~~].

6-63 SECTION 20. Sections 843.201(a), (b), and (c), Government
6-64 Code, are amended to read as follows:

6-65 (a) In accordance with rules adopted by the board of
6-66 trustees, the [~~The~~] governing body of a participating subdivision
6-67 by order may authorize the establishment of credited service and
6-68 prior service credit in the retirement system for service performed
6-69 in a public hospital, utility, or other public facility or

7-1 governmental function during a time the facility was operated or
 7-2 function was performed by a unit of government other than the
 7-3 subdivision and before:

7-4 (1) the effective date of the subdivision's
 7-5 participation in the retirement system, if the facility was
 7-6 acquired or the governmental function was taken over by the
 7-7 subdivision before that date; or

7-8 (2) the date of acquisition of the facility or the date
 7-9 the governmental function was taken over, if the facility was
 7-10 acquired or the governmental function was taken over after the
 7-11 effective date of the subdivision's participation in the retirement
 7-12 system.

7-13 (b) A member eligible to establish credited service and
 7-14 prior service credit under this section after an order under
 7-15 Subsection (a) is one who was employed by a public facility or by an
 7-16 entity performing the governmental function:

7-17 (1) on the effective date of subdivision
 7-18 participation, for service under Subsection (a)(1); or

7-19 (2) on the date of acquisition of the facility or the
 7-20 date the governmental function was taken over, for service under
 7-21 Subsection (a)(2).

7-22 (c) The allocated prior service credit percentage allowable
 7-23 under this section may be limited by the order of the governing body
 7-24 to zero or to any percentage that is a multiple of five percent [~~and~~
 7-25 ~~that does not exceed the percentage applicable to the computation~~
 7-26 ~~of allocated prior service credits for employees of other~~
 7-27 ~~departments of the subdivision].~~

7-28 SECTION 21. Section 843.401, Government Code, is amended to
 7-29 read as follows:

7-30 Sec. 843.401. CURRENT SERVICE GENERALLY. Current service
 7-31 is service performed by an employee of a participating subdivision
 7-32 while a member of the retirement system and credited as provided
 7-33 under this section. The retirement system shall credit a member
 7-34 with [grant] one month of current service for each month for which
 7-35 the required contributions are made, reported, and certified by the
 7-36 employing subdivision.

7-37 SECTION 22. Subchapter E, Chapter 843, Government Code, is
 7-38 amended by adding Section 843.402 to read as follows:

7-39 Sec. 843.402. CURRENT SERVICE CREDIT AND MULTIPLE MATCHING
 7-40 CREDIT. (a) Current service credit is a monetary amount credited
 7-41 by a subdivision to be computed at a member's effective retirement
 7-42 date and used in determining the member's basic annuity. At the
 7-43 determination date, a member's current service credit is an amount
 7-44 equal to the sum of the employee contributions in the member's
 7-45 individual account and the interest accumulated on those
 7-46 contributions as provided by this subtitle.

7-47 (b) Multiple matching credit is a monetary amount credited
 7-48 by the governing body of a subdivision to be computed at a member's
 7-49 effective retirement date and, together with any prior service
 7-50 credit, used in determining a member's supplemental annuity.
 7-51 Multiple matching credit is an amount equal to a percentage of the
 7-52 sum of employee contributions in a member's individual account that
 7-53 were made for a particular calendar year and the interest
 7-54 accumulated on those contributions as provided under this subtitle.
 7-55 At the determination date, the multiple matching credit of a member
 7-56 is equal to the sum of the multiple matching credit for all years of
 7-57 the person's membership.

7-58 (c) The percentage to be used in the computation of the
 7-59 multiple matching credit for a particular year is adopted by the
 7-60 governing body of a subdivision and applied in accordance with this
 7-61 subtitle.

7-62 SECTION 23. The heading to Subchapter F, Chapter 843,
 7-63 Government Code, is amended to read as follows:

7-64 SUBCHAPTER F. OPTIONAL CREDITED [CURRENT] SERVICE [FOR LEGISLATIVE
 7-65 SERVICE]

7-66 SECTION 24. Section 843.501, Government Code, is amended to
 7-67 read as follows:

7-68 Sec. 843.501. CREDITED SERVICE FOR LEGISLATIVE SERVICE.
 7-69 [~~a~~] A member may establish credited service in the retirement

8-1 system for service performed as a member of the legislature. A
 8-2 member claiming credited service for previous legislative service
 8-3 shall file with the retirement system a detailed statement of the
 8-4 service [~~with the subdivision by which the member is currently~~
 8-5 ~~employed. As soon as practicable after the filing of a statement,~~
 8-6 ~~the employing subdivision shall verify the service claimed and~~
 8-7 ~~certify to the board of trustees the amount of service approved].~~

8-8 [~~(b) Credited service may not be established under this~~
 8-9 ~~section for service that is credited by another retirement system~~
 8-10 ~~or program established or governed by state law.]~~

8-11 SECTION 25. Section 843.601, Government Code, is
 8-12 transferred to Subchapter F, Chapter 843, Government Code,
 8-13 renumbered as Section 843.502, and amended to read as follows:

8-14 Sec. 843.502 [843.601]. CREDITED [CURRENT] SERVICE FOR
 8-15 QUALIFIED MILITARY SERVICE. (a) In this section, "qualified
 8-16 military service" means service in the uniformed services, as that
 8-17 term is defined in the Uniformed Services Employment and
 8-18 Reemployment Rights Act of 1994 (38 U.S.C. Section 4301 et seq.),
 8-19 that meets the requirements of that Act as it now exists or is
 8-20 amended as to the character of service performed.

8-21 (b) All members of the retirement system are entitled to be
 8-22 credited with service [~~receive credit~~] for qualified military
 8-23 service that is subject to the Uniformed Services Employment and
 8-24 Reemployment Rights Act of 1994 (38 U.S.C. Section 4301 et seq.).
 8-25 Notwithstanding any provision of this subtitle to the contrary,
 8-26 contributions, benefits, and service credit for qualified military
 8-27 service will be provided in accordance with Section 414(u) of the
 8-28 Internal Revenue Code of 1986. The board of trustees may adopt
 8-29 rules that modify the terms of this subtitle for the purpose of
 8-30 compliance with the provisions of that Act.

8-31 (c) The governing body of a participating subdivision also
 8-32 may, on the terms provided by Section 844.704, authorize the
 8-33 establishment of credited service in the retirement system for
 8-34 qualified active duty military service as provided by this
 8-35 subsection. Qualified military service includes military service
 8-36 before becoming an employee of the subdivision. A member eligible
 8-37 to establish credited service under this subsection is one who has
 8-38 credited service in the retirement system for at least the minimum
 8-39 period required to receive a service retirement annuity at the age
 8-40 of 60 from the subdivision from which credit under this subsection
 8-41 is sought. An eligible member may establish credited service under
 8-42 this subsection by filing an application with the retirement
 8-43 system.

8-44 (d) A subdivision whose governing body authorized "current
 8-45 service for military duty" before December 31, 1999, has authorized
 8-46 credited service [~~credit~~] for qualified military [~~current~~] service
 8-47 under Subsection (c).

8-48 (e) Except for credited service established with the
 8-49 retirement system before December 31, 1999, the maximum amount of
 8-50 credited service that a person may receive under this section is
 8-51 five years. If a person would receive more than five years of
 8-52 credited service as a result of having received credit under
 8-53 Subsection (c) before receiving credit under Subsection (b), the
 8-54 retirement system shall cancel credited service under Subsection
 8-55 (c) to the extent necessary to reduce the total to five years of
 8-56 credit.

8-57 [~~(f) Credited service may not be established under this~~
 8-58 ~~section for any month of service that is credited under another~~
 8-59 ~~section of this subtitle or by another retirement system or program~~
 8-60 ~~established or governed by state law.]~~

8-61 SECTION 26. Subchapter F, Chapter 843, Government Code, is
 8-62 amended by adding Sections 843.503 and 843.504 to read as follows:

8-63 Sec. 843.503. CREDITED SERVICE FOR SERVICE WITH SUBDIVISION
 8-64 PREDECESSOR. The governing body of a participating subdivision
 8-65 may, with the consent of and on terms approved by the board of
 8-66 trustees, authorize the establishment of credited service in the
 8-67 retirement system for service performed as an employee of the
 8-68 immediate predecessor entity of the subdivision.

8-69 Sec. 843.504. NO DOUBLE CREDITING OF SERVICE. Except as

9-1 provided by Chapter 803, credited service may not be established
 9-2 under this subchapter for any month of service that is credited
 9-3 under another section of this subtitle or by another retirement
 9-4 system or program established or governed by state law.

9-5 SECTION 27. Section 844.001, Government Code, is amended to
 9-6 read as follows:

9-7 Sec. 844.001. TYPES OF BENEFITS. (a) Pension ~~[The types~~
 9-8 ~~of]~~ benefits payable from the retirement plan and trust ~~[by the~~
 9-9 ~~retirement system]~~ are:

9-10 (1) ~~[service]~~ retirement annuities payable on service
 9-11 retirements;

9-12 (2) ~~[disability]~~ retirement annuities payable on
 9-13 disability retirements;

9-14 (3) survivor annuities payable on the deaths of
 9-15 members ~~[annuity death benefits]; and~~

9-16 (4) ~~[supplemental death benefits, and~~
 9-17 ~~[-5-]]~~ refunds of accumulated contributions.

9-18 (b) Nonpension group term life coverage may be provided by
 9-19 an electing subdivision for its employees and retirees under the
 9-20 optional group term life program. The board of trustees shall
 9-21 administer the program, and insurance proceeds are payable from the
 9-22 optional group term life fund.

9-23 SECTION 28. Sections 844.002(b), (c), (d), and (e),
 9-24 Government Code, are amended to read as follows:

9-25 (b) A basic annuity is an amount payable from the current
 9-26 service annuity reserve fund and is actuarially determined from the
 9-27 sum of a member's:

9-28 (1) accumulated contributions; and

9-29 (2) current service credit ~~[, accumulated at interest~~
 9-30 ~~as provided by Section 843.403(d)].~~

9-31 (c) A supplemental annuity is an amount payable from the
 9-32 subdivision accumulation fund, subject to limitation under Section
 9-33 844.008 ~~[reduction under Section 842.054, 842.055, 842.056,~~
 9-34 ~~842.057, or 845.307(c)]~~, and is actuarially determined from the sum
 9-35 of:

9-36 (1) a member's allocated prior service credit ~~[, accumulated at interest as provided by Section 843.105(d)]; and~~

9-37 (2) a member's multiple matching credit ~~[, accumulated~~
 9-38 ~~at interest as provided by Section 843.403(d)].~~

9-39 (d) Any increase in the annuity granted by a participating
 9-40 subdivision ~~[after December 31, 1978,]~~ is payable from the
 9-41 subdivision accumulation fund as part of the supplemental annuity.

9-42 (e) A separate retirement annuity is payable with respect to
 9-43 ~~[for]~~ each ~~[participating]~~ subdivision from which a person retires
 9-44 under this subtitle or is considered to have retired.

9-45 SECTION 29. Section 844.003, Government Code, is amended to
 9-46 read as follows:

9-47 Sec. 844.003. EFFECTIVE DATE OF RETIREMENT. (a) Except as
 9-48 otherwise provided by this section ~~[Subsections (b) and (d)]~~, the
 9-49 effective date of a member's service retirement is the date the
 9-50 member designates at the time the member applies for retirement
 9-51 under Section 844.101, but the date must be the last day of a
 9-52 calendar month and may not precede the date the member terminates
 9-53 employment with the subdivision from which the member seeks to
 9-54 retire.

9-55 (b) If a member who is an eligible member under Section
 9-56 844.407 ~~[to select an optional retirement annuity]~~ dies before
 9-57 retirement, the member is considered to have retired on the last day
 9-58 of the month before the month in which death occurred.

9-59 (b-1) A vested member who has not retired before the
 9-60 member's required beginning date determined under Section 841.010
 9-61 is considered to have retired on the last day of the month preceding
 9-62 the member's required beginning date.

9-63 (c) The ~~[Except as provided by Subsection (b), the]~~
 9-64 effective date of a member's disability retirement is the date the
 9-65 member designates at the time the member applies for retirement
 9-66 under ~~[designated on the application for retirement filed by or for~~
 9-67 ~~the member as provided by]~~ Section 844.301, but the date must be the
 9-68 last day of a calendar month and may not precede the date the member
 9-69

terminates employment with all participating subdivisions.

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

(e) Notwithstanding Subsections (a), (b), (b-1), and (c), the effective retirement date of a member may not precede the first anniversary of ~~[the earlier of the effective date of the person's membership in the retirement system or]~~ the effective date of participation of the subdivision ~~[from which the member had most recently earned credited service].~~

SECTION 30. Subchapter A, Chapter 844, Government Code, is amended by adding Sections 844.004, 844.0041, and 844.0042 to read as follows:

Sec. 844.004. STANDARD RETIREMENT ANNUITY. (a) The standard retirement annuity payable under this subtitle is computed with an allowance for the possible payment of a benefit under Section 844.402 and is the actuarial equivalent of the sum of a member's:

- (1) accumulated contributions;
- (2) current service credit;
- (3) allocated prior service credit; and
- (4) multiple matching credit.

(b) A standard retirement annuity is payable throughout the life of a retiree.

Sec. 844.0041. OPTIONAL RETIREMENT ANNUITIES. (a) Instead of the standard retirement annuity payable under Section 844.004, a retiring member may receive an optional retirement annuity under this section or an optional retirement annuity in another form authorized by the board of trustees.

(b) At a member's effective retirement date, an optional retirement annuity is actuarially equivalent to the standard retirement annuity to which the member is entitled.

(c) An optional retirement annuity under this section is:
(1) a retirement annuity that is payable monthly throughout the life of a retiree, and after the retiree's death, throughout the life of an individual designated by the retiree; or

(2) a monthly retirement annuity that is payable throughout the life of a retiree and, if the retiree dies before 180 monthly payments have been made, the remainder of the 180 monthly payments are payable to the retiree's beneficiary or, if a beneficiary does not exist, to the retiree's spouse or, if no surviving spouse exists, to the retiree's estate.

(d) The board of trustees by rule may authorize additional forms of optional retirement annuities, each of which must be actuarially equivalent to the standard retirement annuity to which the retiree is entitled as of the effective retirement date.

Sec. 844.0042. AUTHORITY TO PAY BENEFITS UNDER ALTERNATE FORMS. (a) The board of trustees may authorize the payment of the benefit that is due a recipient to be made as a lump sum or in another alternate form that is actuarially equivalent to the benefit that would otherwise be payable to the recipient at the time payments to the recipient would begin. An authorization under this subsection may be made as a policy of general application or may be made on a case-by-case basis considering the particular facts and circumstances.

(b) Payment to a retiree in a lump sum or other alternate form may not be made without the retiree's consent if the payment is to be sent to an address in the United States and the present value

11-1 of the retiree's benefit exceeds a minimum amount set by the board
 11-2 of trustees. A retiree who receives payment in a lump sum or other
 11-3 alternate form under this section continues as a retiree for
 11-4 purposes of a benefit provided by the subdivision under the
 11-5 optional group term life program.

11-6 (c) Except as otherwise limited under Subsection (b),
 11-7 payment under this section is within the exclusive discretion of
 11-8 the board of trustees, and payment in a lump sum or other alternate
 11-9 form constitutes full satisfaction of the retirement benefit
 11-10 otherwise owed to the recipient.

11-11 (d) The board of trustees may adopt rules for the
 11-12 administration of this section, including rules for the payment of
 11-13 benefits internationally and for the verification of a continuing
 11-14 right to receive payments.

11-15 SECTION 31. Section 844.005, Government Code, is amended by
 11-16 amending Subsections (a) and (b) and adding Subsection (b-1) to
 11-17 read as follows:

11-18 (a) A retiree may revoke an application for retirement,
 11-19 change the retiree's choice of retirement annuity payment plans, or
 11-20 change the designation of beneficiary after the retiree's effective
 11-21 date of retirement by filing written notice with the retirement
 11-22 system not later than the last day of the month a benefit payment is
 11-23 first made [~~following the month that includes the effective date of~~
 11-24 ~~retirement~~]. After that day, a retiree may not revoke the
 11-25 application for retirement, change the annuity payment plan
 11-26 selected, or change the designated beneficiary except under Section
 11-27 844.006.

11-28 (b) If an applicant for retirement dies on or before the
 11-29 last day that the application for retirement could have been
 11-30 revoked under Subsection (a), the decedent's application for
 11-31 retirement is considered canceled, except that the valid
 11-32 beneficiary designations made in connection with the retirement
 11-33 application remain in effect. The beneficiary of a decedent who had
 11-34 been an eligible member under Section 844.407 may receive an
 11-35 annuity in accordance with that section [~~A retiree who dies before~~
 11-36 ~~the first day of the second month following the month that includes~~
 11-37 ~~the effective date of retirement and who did not select an optional~~
 11-38 ~~retirement annuity is considered to have selected an optional~~
 11-39 ~~annuity under Section 844.104(c)(7) or Section 844.305(c)(7), as~~
 11-40 ~~applicable. Alternatively, the decedent's beneficiary may elect to~~
 11-41 ~~receive a refund of the decedent's accumulated contributions under~~
 11-42 ~~Section 844.401].~~

11-43 (b-1) Under rules established by the board of trustees, the
 11-44 retirement system may cancel an application for retirement if the
 11-45 applicant fails to timely provide all information and forms
 11-46 necessary to put the retirement into effect.

11-47 SECTION 32. Sections 844.006(a), (b), (c), and (d),
 11-48 Government Code, are amended to read as follows:

11-49 (a) A retiree who is receiving payments under a [~~of a~~
 11-50 ~~standard service or disability~~] retirement annuity computed on the
 11-51 life of the retiree only [~~or of an annuity for the retiree's life~~
 11-52 ~~but with payments to continue after the retiree's death until a~~
 11-53 ~~determined number of payments have been made] may revoke any
 11-54 existing selection and designation of beneficiary nominated to
 11-55 receive any payments that may become due under the annuity after the
 11-56 retiree's death and may select a new beneficiary to whom payments
 11-57 may be made.~~

11-58 (b) A person who, as beneficiary of a deceased retiree, is
 11-59 receiving monthly payments of any fixed-term annuity described by
 11-60 Subsection (a) may select and designate a person to whom shall be
 11-61 paid any monthly payments that may become due under the annuity
 11-62 after the death of the beneficiary making the designation. If a
 11-63 valid beneficiary designation is not on file with the retirement
 11-64 system, any monthly payments that become due after the death of the
 11-65 beneficiary are payable to the beneficiary's spouse or, if no
 11-66 surviving spouse exists, to the beneficiary's estate.

11-67 (c) A retiree who is receiving payments under a retirement
 11-68 annuity computed on the joint lives of the retiree and the retiree's
 11-69 designated beneficiary [~~selected an optional annuity under Section~~

12-1 ~~844.104(c)(1), (c)(2), (c)(5), or (c)(6) or Section 844.305(c)(1),~~
 12-2 ~~(c)(2), (c)(5), or (c)(6)]~~ may revoke the designation of the
 12-3 beneficiary to receive the annuity on the death of the retiree, if a
 12-4 court of competent jurisdiction in a divorce proceeding involving
 12-5 the retiree and beneficiary awards to the retiree the entire
 12-6 retirement benefit earned by the retiree. The order awarding the
 12-7 retirement benefit may be set forth in the divorce decree or in an
 12-8 order approving the terms of a property settlement agreement
 12-9 incident to the divorce of the retiree and beneficiary but must be
 12-10 dated on or after December 31, 1999. The revocation takes effect
 12-11 when the retirement system receives it and cancels the optional
 12-12 annuity selection made by the retiree. Beginning with the month
 12-13 following the month in which the retirement system receives the
 12-14 notice of revocation, the retiree is entitled to receive a standard
 12-15 ~~[service or disability]~~ retirement annuity~~[, as applicable,]~~ in the
 12-16 same amount that the retiree would receive for the same month if the
 12-17 retiree had originally retired with a standard ~~[service or~~
 12-18 ~~disability]~~ retirement annuity.

12-19 (d) If a qualified domestic relations order, as that term is
 12-20 defined by Section 804.001, so provides, the benefit payable to a
 12-21 retiree who is receiving payments of a retirement ~~[an]~~ annuity
 12-22 computed on the joint lives of the retiree and the person designated
 12-23 as beneficiary by the retiree ~~[for the retiree's life with payments~~
 12-24 ~~to continue after the retiree's death until the death of another~~
 12-25 ~~person]~~ may be divided by the retirement system into two annuities
 12-26 if:

12-27 (1) the person who was designated as beneficiary by
 12-28 the retiree ~~[to receive the continued payment after the retiree's~~
 12-29 ~~death]~~ is the same person as the alternate payee;

12-30 (2) the order specifies that one of the two annuities
 12-31 is payable over the remaining life of the retiree, with no payments
 12-32 to be made under that annuity after the death of the retiree; and

12-33 (3) the order specifies that the annuity payable to
 12-34 the alternate payee is payable over the remaining life of that
 12-35 person, with no payments to be made under that annuity after the
 12-36 death of the alternate payee named in the order~~[, and~~

12-37 ~~[(4) the annuity that would be payable to the person as~~
 12-38 ~~the alternate payee under the order would not exceed the annuity~~
 12-39 ~~that would be payable to that person as the retiree's surviving~~
 12-40 ~~beneficiary under the option selected if the retiree were~~
 12-41 ~~deceased].~~

12-42 SECTION 33. Section 844.007, Government Code, is amended to
 12-43 read as follows:

12-44 Sec. 844.007. INTEREST CREDIT FOR OTHER THAN DECEMBER
 12-45 [ADJUSTMENTS APPLICABLE TO MIDYEAR] RETIREMENTS. A member who
 12-46 retires with an effective retirement date other than December 31
 12-47 [(a) The adjustments prescribed in this section shall be made in
 12-48 computing the benefits of and to the accounts of any member who
 12-49 retires effective at the end of any month other than December.

12-50 [(b) Interest] will be credited interest on the beginning
 12-51 balance in the member's individual account from [in the employees
 12-52 saving fund on] January 1 of the year of retirement [from that date]
 12-53 to the effective date of retirement.

12-54 [(c) An amount equal to the interest computed under
 12-55 Subsection (b) will be credited to the account in the subdivision
 12-56 accumulation fund for the subdivision that employed the member.]

12-57 SECTION 34. Sections 844.009(a), (c), and (h), Government
 12-58 Code, are amended to read as follows:

12-59 (a) With the consent of the board of trustees, the governing
 12-60 body of a subdivision may authorize partial lump-sum distributions
 12-61 under this section. ~~[The governing body of a contributing~~
 12-62 ~~subdivision with a member contribution rate of at least four~~
 12-63 ~~percent that has not elected to discontinue enrolling employees may~~
 12-64 ~~adopt the provisions of this section:~~

12-65 ~~[(1) on the terms provided by Subchapter H, or~~

12-66 ~~[(2) if the board of trustees determines that, based~~
 12-67 ~~on computations by the retirement system's actuary, the adoption~~
 12-68 ~~would not impair the ability of the subdivision to fund all~~
 12-69 ~~obligations against its account in the subdivision accumulation~~

13-1 ~~fund before the 20th anniversary of the subdivision's most recent~~
 13-2 ~~actuarial valuation date.]~~

13-3 (c) The amount of a lump-sum distribution under this section
 13-4 may not exceed 100 percent of the total accumulated contributions
 13-5 in the member's individual account in the employees saving fund
 13-6 attributable to ~~[the credited]~~ service with the subdivision for
 13-7 ~~[on]~~ which the member has applied for retirement.

13-8 (h) No portion of a benefit awarded to an alternate payee
 13-9 under a qualified domestic relations order may be distributed in
 13-10 the form of a lump sum under this section, unless [except that if]
 13-11 the member and the alternate payee agree in writing that the
 13-12 alternate payee will receive all or a portion of the lump-sum
 13-13 distribution payable under this section instead of or as part of the
 13-14 benefits awarded under the qualified domestic relations order~~[, the~~
 13-15 ~~amount of the lump-sum distribution described in the agreement may~~
 13-16 ~~be paid directly to the alternate payee in complete satisfaction of~~
 13-17 ~~the alternate payee's marital property rights and interest in the~~
 13-18 ~~member's benefit].~~

13-19 SECTION 35. Section 844.010, Government Code, is amended by
 13-20 adding Subsection (d) to read as follows:

13-21 (d) The board of trustees may adopt rules concerning the
 13-22 designation, validity, cancellation, revocation, and eligibility
 13-23 of beneficiaries under this subtitle.

13-24 SECTION 36. Section 844.101, Government Code, is amended to
 13-25 read as follows:

13-26 Sec. 844.101. APPLICATION FOR SERVICE RETIREMENT ANNUITY.
 13-27 To receive a retirement annuity for service, an eligible [A] member
 13-28 must [may] apply [for a service retirement annuity] by filing a
 13-29 valid [an] application [for retirement] with the retirement system
 13-30 on or before the member's effective retirement date designated on
 13-31 the application.

13-32 SECTION 37. Section 844.102, Government Code, is amended to
 13-33 read as follows:

13-34 Sec. 844.102. SYSTEMWIDE ELIGIBILITY FOR SERVICE
 13-35 RETIREMENT ANNUITY. (a) A member is eligible to apply for and
 13-36 receive a service retirement annuity if the member:

13-37 (1) is at least 60 years old and has at least 10 [12]
 13-38 years of credited service in the retirement system;

13-39 (2) has at least 30 years of credited service in the
 13-40 retirement system; or

13-41 (3) has at least 10 years of credited service in the
 13-42 retirement system and the sum of the member's credited service and
 13-43 attained age equals or exceeds the number 80 [met the eligibility
 13-44 requirements for service retirement under Section 844.207,
 13-45 844.210, 844.211, or 844.212].

13-46 (b) A person who has retired under this section with a
 13-47 service retirement annuity is eligible, without regard to any age
 13-48 or credited service requirement, to apply for and receive a service
 13-49 retirement annuity based on the member's accumulated contributions
 13-50 and service credit with any [for another] participating subdivision
 13-51 from which the person has terminated employment.

13-52 SECTION 38. Subchapter B, Chapter 844, Government Code, is
 13-53 amended by adding Sections 844.1021 and 844.1022 to read as
 13-54 follows:

13-55 Sec. 844.1021. OPTIONAL ELIGIBILITY PROVISIONS FOR SERVICE
 13-56 RETIREMENT. (a) In accordance with this subtitle, a subdivision
 13-57 may adopt any optional service retirement eligibility provision
 13-58 described by this section or authorized by the board of trustees.

13-59 (b) A subdivision may not revoke its adoption of an optional
 13-60 service retirement eligibility provision described by this
 13-61 section. A subdivision may adopt an optional service retirement
 13-62 eligibility provision providing less restrictive eligibility
 13-63 requirements.

13-64 (c) An optional service retirement eligibility provision
 13-65 may provide that a member who has at least 10 years of credited
 13-66 service is eligible to apply for retirement if the member has
 13-67 attained age 60 or an age at which the sum of the member's credited
 13-68 service and attained age equals or exceeds the number 75.

13-69 (d) An optional service retirement eligibility provision

14-1 may provide that a member who has at least eight years of credited
 14-2 service is eligible to apply for retirement if the member has
 14-3 attained age 60.

14-4 (e) An optional service retirement eligibility provision
 14-5 may provide that a member who has at least five years of credited
 14-6 service is eligible to apply for retirement if the member has
 14-7 attained age 60.

14-8 (f) An optional service retirement eligibility provision
 14-9 may provide that a member who has at least 20 years of credited
 14-10 service is eligible to apply for retirement.

14-11 (g) The board of trustees may authorize additional optional
 14-12 service retirement eligibility provisions for adoption by
 14-13 participating subdivisions.

14-14 (h) The board of trustees shall establish rules for
 14-15 recognizing and combining a member's service credited under
 14-16 dissimilar retirement eligibility provisions for purposes of
 14-17 meeting the retirement eligibility provisions of the respective
 14-18 subdivisions.

14-19 Sec. 844.1022. SPECIAL ELIGIBILITY PROVISIONS FOR SERVICE
 14-20 RETIREMENT. (a) Subject to the consent of the board of trustees
 14-21 and effective for the period and on terms that the board approves, a
 14-22 subdivision may adopt a special service retirement eligibility
 14-23 provision that relates to a singular, identifiable event or action
 14-24 particular to the subdivision and that applies only to its members
 14-25 who satisfy the specific terms of the special eligibility
 14-26 provision.

14-27 (b) A special service retirement eligibility provision must
 14-28 bear a rational relationship to the operation, management, and
 14-29 function of the subdivision.

14-30 (c) A special service retirement eligibility provision may
 14-31 not be adopted or implemented under this section in a manner that
 14-32 has the effect of establishing a separate, ongoing retirement
 14-33 program for a branch, department, division, employee occupational
 14-34 group, or other separately identifiable component of the
 14-35 subdivision.

14-36 SECTION 39. Sections 844.208(b), (c), and (d), Government
 14-37 Code, are amended to read as follows:

14-38 (b) The amount of annuity increase under this section is
 14-39 computed as the sum of the basic and supplemental annuities on the
 14-40 effective date of retirement of the person on whose service the
 14-41 annuities are based and ~~and [or, if the person's current annuity has~~
 14-42 ~~been increased under Section 844.006(c) or (d), 844.104(c)(5), or~~
 14-43 ~~844.305(c)(5), the sum of the basic and supplemental annuities]~~ is
 14-44 computed as if the person had selected a standard ~~[service or~~
 14-45 ~~disability]~~ retirement annuity on the person's effective date of
 14-46 retirement, multiplied by:

14-47 (1) the percentage change in the Consumer Price Index
 14-48 for All Urban Consumers, published by the Bureau of Labor
 14-49 Statistics of the United States Department of Labor, from December
 14-50 of the year immediately preceding the effective date of the
 14-51 person's retirement to the December that is 13 months before the
 14-52 month in which the effective date of the order or resolution
 14-53 providing the increase occurs; and

14-54 (2) a fraction, specified by the governing body in the
 14-55 order or resolution, that is not less than 10 ~~[30]~~ percent nor more
 14-56 than 100 percent and is a multiple of 10 percent.

14-57 (c) ~~The [Except as provided by Subsection (g), the]~~
 14-58 effective date of an order or resolution under this section is
 14-59 January 1 of the year that begins after the year in which the
 14-60 governing body adopts and notifies the retirement system of the
 14-61 order or resolution.

14-62 (d) An increase in an annuity that was reduced because of an
 14-63 option selection or partial lump-sum distribution is reducible in
 14-64 the same proportion and in the same manner that the original annuity
 14-65 was reduced.

14-66 SECTION 40. Section 844.209(e), Government Code, is amended
 14-67 to read as follows:

14-68 (e) An increase in an annuity that was reduced because of an
 14-69 option selection or partial lump-sum distribution is reducible in

15-1 the same proportion and in the same manner that the original annuity
15-2 was reduced.

15-3 SECTION 41. Section 844.301, Government Code, is amended to
15-4 read as follows:

15-5 Sec. 844.301. APPLICATION FOR DISABILITY RETIREMENT
15-6 ~~[ANNUITY]~~. (a) A member may apply for ~~[a]~~ disability retirement
15-7 ~~[annuity]~~ by~~+~~

15-8 ~~[(1)]~~ filing a valid ~~[an]~~ application for retirement
15-9 with the retirement system~~+, or~~

15-10 ~~[(2) having an application filed with the system by~~
15-11 ~~the member's employer or legal representative.~~

15-12 ~~[(b) An application for a disability retirement annuity~~
15-13 ~~must be filed] on or before the member's effective retirement date~~
15-14 ~~designated on the application.~~

15-15 (b) ~~[(c)]~~ An applicant must provide medical and other
15-16 pertinent information for evaluation by the medical board and
15-17 submit to medical examination as required by the medical board.

15-18 SECTION 42. Subchapter D, Chapter 844, Government Code, is
15-19 amended by adding Section 844.3011 to read as follows:

15-20 Sec. 844.3011. ANNUITY PAYABLE ON DISABILITY RETIREMENT.
15-21 Except for eligibility requirements and as otherwise provided by
15-22 this subtitle, a retirement annuity payable on the disability
15-23 retirement of a member is equal in amount and equivalent in all
15-24 respects under this subtitle to a retirement annuity payable on the
15-25 service retirement of the member at the same age.

15-26 SECTION 43. Section 844.302, Government Code, is amended to
15-27 read as follows:

15-28 Sec. 844.302. ELIGIBILITY FOR DISABILITY RETIREMENT
15-29 ANNUITY. (a) A ~~[Except as provided by Subsection (c), a]~~ member
15-30 who is not ~~[a]~~ vested for service retirement beginning on or before
15-31 the date the member attains age 60 and who has applied for
15-32 disability retirement [member under Section 844.202] is eligible to
15-33 ~~[apply for and]~~ receive a disability retirement annuity if the
15-34 member is the subject of a certification issued as provided by
15-35 Section 844.303(b)(1).

15-36 (b) A ~~[Except as provided by Subsection (c), a]~~ member who
15-37 is ~~[a]~~ vested for service retirement based on service in this system
15-38 alone beginning on or before the date the member attains age 60 and
15-39 who has applied for disability retirement [member under Section
15-40 844.202] is eligible to ~~[apply for and]~~ receive a ~~[disability]~~
15-41 retirement annuity if the member is the subject of a certification
15-42 issued as provided by Section 844.303(b)(2). ~~[A member eligible to~~
15-43 ~~receive a disability retirement annuity under this subsection may,~~
15-44 ~~if the member is eligible for service retirement, elect to receive a~~
15-45 ~~service retirement annuity but may not receive both annuities.]~~

15-46 (c) If a member who has filed an application for disability
15-47 retirement under this subchapter is eligible for service
15-48 retirement, an evaluation by the medical board under Section
15-49 844.303 will not be made and the retirement system shall consider
15-50 the retirement application as an application filed for service
15-51 retirement. [A member is not eligible to retire for disability
15-52 before the first anniversary of the earlier of the effective date of
15-53 the person's membership or the effective date of participation of
15-54 the subdivision from which the member had most recently earned
15-55 credited service.]

15-56 SECTION 44. Section 844.303, Government Code, is amended to
15-57 read as follows:

15-58 Sec. 844.303. CERTIFICATION OF DISABILITY. (a) Except as
15-59 provided by Section 844.302(c) and Subsection (c) of this section,
15-60 as ~~[As]~~ soon as practicable after an application for disability
15-61 retirement is filed, the medical board shall evaluate the medical
15-62 and other pertinent information concerning the member's
15-63 application.

15-64 (b) The medical board shall issue a certification of
15-65 disability and submit it to the board of trustees, if the medical
15-66 board finds:

15-67 (1) in the case of a member described by Section
15-68 844.302(a) ~~[who is not a vested member under Section 844.202]~~,
15-69 that:

16-1 (A) the member is mentally or physically
 16-2 incapacitated for any gainful occupation;

16-3 (B) the incapacity is the direct result of
 16-4 injuries sustained during membership by external and violent means
 16-5 as a direct and proximate result of the performance of duty; and

16-6 (C) the incapacity is likely to be permanent;
 16-7 [~~and~~
 16-8 [~~(D) the member should be retired,~~] or

16-9 (2) in the case of a member described by Section
 16-10 844.302(b) [who is a vested member under Section 844.202], that:

16-11 (A) the member is mentally or physically
 16-12 incapacitated for any gainful occupation; and

16-13 (B) the incapacity is likely to be permanent[~~+~~
 16-14 and
 16-15 [~~(C) the member should be retired~~].

16-16 (c) The board of trustees may establish a procedure for
 16-17 summary disposition of disability retirement applications without
 16-18 medical board review under facts and circumstances that the board
 16-19 has determined cause a review by the medical board to be
 16-20 unnecessary. The board may delegate to the director the authority
 16-21 and discretion to make determinations under the summary disposition
 16-22 procedure and, if appropriate, to issue a certification of
 16-23 disability described by Subsection (b) or refer the matter to the
 16-24 medical board. The director is not authorized under this section to
 16-25 make a finding that an applicant is not permanently incapacitated.

16-26 (d) The board of trustees may define terms and standards to
 16-27 be applied by the medical board in making its determinations and
 16-28 shall establish such other rules as the board considers necessary
 16-29 to administer this subchapter.

16-30 SECTION 45. Section 844.3051, Government Code, is amended
 16-31 to read as follows:

16-32 Sec. 844.3051. DISABILITY RETIREMENT CONSIDERED SERVICE
 16-33 RETIREMENT [ANNUITIES NOT SUBJECT TO DISCONTINUANCE]. (a) The
 16-34 retirement annuity of a disability retiree may not be terminated
 16-35 under this subchapter after [After] the earlier of:

16-36 (1) the date a disability retiree attains age 60; or
 16-37 (2) the date the disability retiree would otherwise be
 16-38 [~~have become~~] eligible for service retirement under this subtitle[~~+~~
 16-39 ~~the retiree's disability retirement annuity may not be revoked or~~
 16-40 ~~discontinued under this subtitle, and the retiree is not subject to~~
 16-41 ~~further medical examinations or required to submit annual earnings~~
 16-42 ~~reports].~~

16-43 (b) The [A] disability retirement of a disability retiree
 16-44 described by Subsection (a) [annuity that is not subject to
 16-45 revocation or discontinuance] is considered for all purposes under
 16-46 this subtitle as a service retirement [annuity if the retiree
 16-47 returns to employment with a participating subdivision].

16-48 SECTION 46. Sections 844.306(a) and (c), Government Code,
 16-49 are amended to read as follows:

16-50 (a) Until the date a disability retirement is considered a
 16-51 service retirement under Section 844.3051, once [Once] each year
 16-52 during the first five years after a person retires for disability,
 16-53 and once in each three-year period after that, the board of trustees
 16-54 may, in accordance with rules and procedures established by the
 16-55 board, require a disability retiree to undergo a medical
 16-56 examination and provide current medical and other information
 16-57 reaffirming the status of the retiree as disabled within the
 16-58 meaning of this subchapter.

16-59 (c) If a disability retiree refuses to submit to [a] medical
 16-60 examination or fails to provide current medical or other
 16-61 information confirming the status of the retiree as disabled [as
 16-62 provided by this section], the board of trustees may cancel the
 16-63 disability retirement and terminate the retirement annuity [shall
 16-64 suspend the retiree's annuity payments until the retiree submits to
 16-65 an examination. If a retiree has not submitted to an examination as
 16-66 provided by this section before the first anniversary of the date of
 16-67 first refusal, the board shall revoke all rights of the retiree to
 16-68 an annuity].

16-69 SECTION 47. Section 844.307, Government Code, is amended to

17-1 read as follows:

17-2 Sec. 844.307. CANCELLATION [~~CERTIFICATION~~] OF [~~END OF~~
17-3 DISABILITY RETIREMENT. (a) If the medical board finds that a
17-4 disability retiree has experienced medical improvement to the
17-5 extent that the retiree is no longer mentally or physically
17-6 incapacitated [~~for the performance of duty or is engaged in or able~~
17-7 ~~to engage in gainful occupation~~], it shall certify its findings and
17-8 submit them to the board of trustees.

17-9 (b) In accordance with rules and procedures adopted by the
17-10 board, [~~if~~] the board of trustees may adopt the findings of the
17-11 medical board and cancel the disability retirement and terminate
17-12 [concur in a certification under this section, it shall
17-13 ~~discontinue]~~ annuity payments to the retiree.

17-14 SECTION 48. Section 844.309, Government Code, is amended to
17-15 read as follows:

17-16 Sec. 844.309. ADJUSTMENTS AT ANNUITY TERMINATION
17-17 [~~DISCONTINUANCE~~]. (a) If a disability retirement is canceled and
17-18 the retirement annuity terminated under this subchapter, the person
17-19 automatically resumes membership in the retirement system and
17-20 [person's membership resumes under Section 844.308,] the
17-21 retirement system shall transfer:

17-22 (1) from the current service annuity reserve fund and
17-23 credit to the person's individual account in the employees saving
17-24 fund an amount equal to the amount of accumulated contributions
17-25 transferred to the current service annuity reserve fund at the time
17-26 of retirement reduced by one percent for each year or part of a year
17-27 during which disability annuity payments were made; and

17-28 (2) from the current service annuity reserve fund to
17-29 the subdivision accumulation fund an amount equal to the amount
17-30 transferred from the subdivision accumulation fund to the current
17-31 service annuity reserve fund at the time of retirement reduced by
17-32 one percent for each year or part of a year during which disability
17-33 annuity payments were made.

17-34 (b) If a person whose membership resumes under this section
17-35 [~~Section 844.308~~] was receiving a supplemental annuity based in
17-36 whole or in part on prior service credit, the retirement system
17-37 shall restore to effect as the person's maximum prior service
17-38 credit an amount equal to the person's maximum prior service credit
17-39 at the time of disability retirement reduced by one percent for each
17-40 year or part of a year during which disability annuity payments were
17-41 made.

17-42 (c) A person who resumes membership under this section
17-43 [~~Section 844.308~~] is entitled to restoration of credited service in
17-44 the number of months accumulated and allowed before disability
17-45 retirement.

17-46 (d) The board of trustees may adopt rules for the
17-47 computation and transfer of amounts and credits for a membership
17-48 resumed under this subchapter.

17-49 SECTION 49. Section 844.405, Government Code, is amended to
17-50 read as follows:

17-51 Sec. 844.405. TRUST AS BENEFICIARY. (a) Except as limited
17-52 [~~provided~~] by Subsection (b), a member or retiree may designate a
17-53 trust as beneficiary for the payment of benefits from the
17-54 retirement system or may designate multiple trusts as beneficiaries
17-55 for the payment of benefits from the system in the same manner and
17-56 with the same limitations that apply to the designation of multiple
17-57 beneficiaries. If a trust is designated beneficiary, the
17-58 beneficiary of the trust is considered the designated beneficiary
17-59 for the purpose of determining eligibility for and the amount and
17-60 duration of benefits. The trustee is entitled to exercise any
17-61 rights granted a designated beneficiary to elect benefit options
17-62 and name subsequent beneficiaries.

17-63 (b) Multiple trusts or a single [A] trust having multiple
17-64 beneficiaries [~~more than one beneficiary~~] may not receive benefits
17-65 to which multiple designated beneficiaries are not eligible under
17-66 this chapter.

17-67 SECTION 50. The heading to Section 844.407, Government
17-68 Code, is amended to read as follows:

17-69 Sec. 844.407. SURVIVOR ANNUITY [~~DEATH BENEFIT~~].

18-1 SECTION 51. Sections 844.407(a) through (e), Government
18-2 Code, are amended to read as follows:

18-3 (a) In this section "eligible member" means[+
18-4 ~~[(1)]~~ a member who has four or more years of credited
18-5 service with one or more subdivisions that are participating in the
18-6 retirement system ~~[and that are not exempted from the application~~
18-7 ~~of this subdivision;~~

18-8 ~~[(2)] a vested member described by Section 844.202 who~~
18-9 ~~is at least 60 years of age or has 20 or more years of credited~~
18-10 ~~service in the retirement system; or~~

18-11 ~~[(3)] a member who is receiving a service retirement~~
18-12 ~~annuity].~~

18-13 (b) Instead of any other benefit allowed under this subtitle
18-14 other than an optional group term life benefit, an [An] annuity
18-15 described by this section may be [selected and] paid on the death of
18-16 an eligible member who had not filed an application for retirement
18-17 or whose application for retirement had been revoked or canceled
18-18 under Section 844.005 [before the effective date of the member's
18-19 retirement instead of any other benefit allowed under this
18-20 subtitle, except that a supplemental death benefit under Subchapter
18-21 F may also be paid].

18-22 (c) An annuity under this section is payable to the valid
18-23 beneficiary designated on the unrevoked form most recently executed
18-24 by the member and filed with the system naming a beneficiary. If no
18-25 valid beneficiary exists or if the member died without having
18-26 designated a valid beneficiary, the annuity is payable to the
18-27 deceased member's surviving spouse or, if no surviving spouse
18-28 exists, to the deceased member's estate. [An eligible member may,
18-29 before the effective date of the member's retirement, file with the
18-30 board of trustees on a form prescribed by the board a selection of
18-31 an optional service retirement annuity available under Section
18-32 844.104 and a designation of beneficiary.]

18-33 (d) Any annuity payable under this section must be
18-34 actuarially equivalent to the deceased member's benefit accrued
18-35 under this subtitle determined as of the last day of the month
18-36 preceding the month of the member's death. The annuity is payable
18-37 in the form and manner authorized by the board of trustees. [A
18-38 member who is entitled under this section to select one of the
18-39 optional service retirement annuities authorized by Section
18-40 844.104 may elect instead to name a beneficiary who, on the death of
18-41 the member before retirement, will be allowed to choose any benefit
18-42 that the member could have chosen to be paid to the beneficiary,
18-43 with like effect as if the selection had been made by the member.]

18-44 (e) An annuity under this section is payable from the same
18-45 accounts and is subject to the same conditions that are applicable
18-46 to a service retirement benefit for the same member. [If no
18-47 application for deferred service retirement was on file with the
18-48 retirement system on December 31, 1999, an unrevoked form executed
18-49 by the member and filed with the system naming a beneficiary to whom
18-50 the member's accumulated contributions are to be paid in the event
18-51 of death before retirement is considered a selection of a
18-52 beneficiary under Subsection (d).]

18-53 SECTION 52. Section 844.408(b), Government Code, is amended
18-54 to read as follows:

18-55 (b) If the ~~[a surviving spouse or the executor or]~~
18-56 administrator of a deceased member's estate would be entitled to a
18-57 refund or an annuity [make an election under Section 842.110, or if
18-58 a beneficiary or the executor or administrator of a deceased
18-59 member's estate would be entitled to make an election under Section
18-60 844.407] because of the death of the member, the heirs of the
18-61 deceased member may apply for and receive the benefit [make that
18-62 election] if:

18-63 (1) ~~[no surviving spouse exists, or, if Section~~
18-64 ~~844.407 is applicable, no surviving beneficiary exists,~~

18-65 ~~[(2)] no petition for the appointment of a personal~~
18-66 ~~representative of the member is pending or has been granted;~~

18-67 (2) ~~[(3)] 30 days have elapsed since the date of death~~
18-68 ~~of the member;~~

18-69 (3) ~~[(4)] the value of the entire assets of the~~

19-1 member's probate estate, excluding homestead and exempt property,
 19-2 does not exceed \$50,000; and

19-3 (4) [~~(5)~~] on file with the retirement system is a
 19-4 certified copy of a small estates affidavit that has been approved
 19-5 and filed in accordance with Section 137, Texas Probate Code, or an
 19-6 original affidavit described by Subsection (c).

19-7 SECTION 53. The heading to Subchapter F, Chapter 844,
 19-8 Government Code, is amended to read as follows:

19-9 SUBCHAPTER F. OPTIONAL GROUP TERM LIFE PROGRAM [~~DEATH BENEFITS~~]

19-10 SECTION 54. Section 844.501, Government Code, is amended to
 19-11 read as follows:

19-12 Sec. 844.501. COVERAGE IN OPTIONAL GROUP TERM LIFE
 19-13 [~~SUPPLEMENTAL DEATH BENEFIT~~] PROGRAM. (a) An employee of a
 19-14 participating subdivision is included within the coverage of the
 19-15 optional group term life [~~supplemental death benefit~~] program on
 19-16 that day in the first month in which:

19-17 (1) the employing subdivision is participating in the
 19-18 program [~~supplemental death benefits fund~~] for coverage of all
 19-19 members it employs;

19-20 (2) the employee is a member of the retirement system;
 19-21 and

19-22 (3) the employee is required to make a contribution to
 19-23 the retirement system.

19-24 (b) Once established, coverage of a person in the
 19-25 [~~supplemental death benefit~~] program continues until the last day
 19-26 of a month in which a requirement of Subsection (a) is not met.

19-27 (c) The optional group term life [~~supplemental death~~
 19-28 ~~benefit~~] program constitutes "group term life insurance purchased
 19-29 for employees" as described by Section 79, Internal Revenue Code of
 19-30 1986.

19-31 SECTION 55. The heading to Section 844.502, Government
 19-32 Code, is amended to read as follows:

19-33 Sec. 844.502. EXTENDED OPTIONAL GROUP TERM LIFE
 19-34 [~~SUPPLEMENTAL DEATH BENEFIT~~] COVERAGE.

19-35 SECTION 56. Section 844.502(a), Government Code, is amended
 19-36 to read as follows:

19-37 (a) A member included in the coverage of the optional group
 19-38 term life [~~supplemental death benefit~~] program who fails to earn
 19-39 compensation in a month for service to a subdivision participating
 19-40 in the program [~~supplemental death benefits fund~~] may be eligible
 19-41 to receive extended coverage in the program under this section.

19-42 SECTION 57. The heading to Section 844.503, Government
 19-43 Code, is amended to read as follows:

19-44 Sec. 844.503. MEMBER OPTIONAL GROUP TERM LIFE [~~SUPPLEMENTAL~~
 19-45 ~~DEATH BENEFIT~~].

19-46 SECTION 58. Sections 844.503(b) and (d), Government Code,
 19-47 are amended to read as follows:

19-48 (b) If a person included in the coverage or extended
 19-49 coverage of the optional group term life [~~supplemental death~~
 19-50 ~~benefit~~] program dies, a lump-sum supplemental death benefit is
 19-51 payable from the optional group term life [~~supplemental death~~
 19-52 ~~benefits~~] fund in an amount equal to the current annual
 19-53 compensation of the member at the time of death.

19-54 (d) If a member, because of a change in employment, makes
 19-55 contributions to the retirement system during the same month as an
 19-56 employee of more than one subdivision participating in the optional
 19-57 group term life program [~~supplemental death benefits fund~~], a death
 19-58 benefit is payable only on the basis of the member's most recent
 19-59 employment. If a member, because of simultaneous employment by
 19-60 more than one subdivision, makes contributions to the retirement
 19-61 system during the same month as an employee of more than one
 19-62 subdivision participating in the program [~~supplemental death~~
 19-63 ~~benefits fund~~], a death benefit is payable on the basis of the
 19-64 member's employment by each subdivision participating in the
 19-65 program [~~fund~~].

19-66 SECTION 59. Sections 844.504 and 844.505, Government Code,
 19-67 are amended to read as follows:

19-68 Sec. 844.504. RETIREE OPTIONAL GROUP TERM LIFE
 19-69 [~~SUPPLEMENTAL DEATH~~] BENEFIT. If a retiree dies who was receiving a

20-1 retirement annuity based on service for a subdivision that has
 20-2 elected to provide, and continues to provide, postretirement
 20-3 optional group term life coverage [~~supplemental death benefits~~], a
 20-4 lump-sum [~~supplemental~~] death benefit is payable from the optional
 20-5 group term life fund in the amount of \$5,000.

20-6 Sec. 844.505. BENEFICIARY OF OPTIONAL GROUP TERM LIFE
 20-7 BENEFIT [~~SUPPLEMENTAL DEATH BENEFIT~~]. (a) Unless a member has
 20-8 directed otherwise on a form prescribed by the board of trustees and
 20-9 filed with the retirement system:

20-10 (1) an optional group term life [~~a supplemental death~~]
 20-11 benefit under Section 844.503 is payable to the person entitled to
 20-12 receive the decedent's accumulated contributions, unless the
 20-13 decedent was an eligible member under Section 844.407 [~~to select an~~
 20-14 ~~optional service retirement annuity~~], in which case the benefit is
 20-15 payable to the beneficiary designated by the decedent or, if no
 20-16 designation was made, to the person entitled under that section to
 20-17 receive a survivor [~~an optional~~] annuity; and

20-18 (2) an optional group term life [~~a supplemental death~~]
 20-19 benefit under Section 844.504 is payable to a person entitled to
 20-20 receive any remaining payments of the decedent's annuity.

20-21 (b) If a person entitled under this section to receive an
 20-22 optional group term life [~~a supplemental death~~] benefit does not
 20-23 survive the member or retiree covered by the optional group term
 20-24 life [~~supplemental death benefit~~] program, the benefit is payable
 20-25 to the person to whom a benefit under Subchapter B or D is payable,
 20-26 or if no benefit is payable under those subchapters, to the person
 20-27 to whom a benefit under Subchapter E is or would be payable.

20-28 SECTION 60. The heading to Subchapter G, Chapter 844,
 20-29 Government Code, is amended to read as follows:

20-30 SUBCHAPTER G. FIXED CONTRIBUTION RATE PLAN [~~OPTIONAL ADDITIONAL~~
 20-31 ~~SUBDIVISION CONTRIBUTIONS OR DECREASE IN CREDITS~~]

20-32 SECTION 61. Section 844.606(f), Government Code, is amended
 20-33 to read as follows:

20-34 (f) The lower percentage to be used in determining multiple
 20-35 matching credits provided for by Subsection (b) must be a multiple
 20-36 of five [~~10~~] percent of the amount of member contributions.

20-37 SECTION 62. Subchapter G, Chapter 844, Government Code, is
 20-38 amended by adding Section 844.609 to read as follows:

20-39 Sec. 844.609. INCREASE IN SERVICE CREDITS AND ADOPTION OF
 20-40 BENEFIT OPTIONS. (a) A subdivision, other than a county, not
 20-41 otherwise subject to the provisions of Subchapter H may by order or
 20-42 resolution increase the percentages used to determine multiple
 20-43 matching credits and allocated prior service credits in the same
 20-44 manner and to the same extent as if it were a subdivision subject to
 20-45 the provisions of Subchapter H.

20-46 (b) A subdivision, other than a county, not otherwise
 20-47 subject to the provisions of Subchapter H may by order adopt or
 20-48 authorize any option described by Section 844.704(d) in the same
 20-49 manner and to the same extent as if it were a subdivision subject to
 20-50 the provisions of Subchapter H.

20-51 (c) A subdivision, other than a county, may not adopt an
 20-52 increase in service credits or an additional benefit option under
 20-53 this section, or adopt an increase in the rate of member
 20-54 contributions under Section 845.402, unless the actuary determines
 20-55 that the amortization period for all obligations of the
 20-56 subdivision, inclusive of any increase or additional benefit
 20-57 option, does not exceed 20 years.

20-58 (d) Notwithstanding Section 844.605(c), a subdivision,
 20-59 other than a county, may adopt a supplemental contribution rate
 20-60 under this subchapter of any percentage that the actuary determines
 20-61 will not cause the amortization period for all obligations of the
 20-62 subdivision to exceed 20 years.

20-63 SECTION 63. Section 844.703(e), Government Code, is amended
 20-64 to read as follows:

20-65 (e) In addition to the normal contributions and prior
 20-66 service contributions under this subchapter, the subdivision shall
 20-67 make the picked-up employee contributions provided by Section
 20-68 845.403(i), and those contributions, along with optional group term
 20-69 life [~~supplemental death benefit fund~~] contributions, are not

21-1 subject to the maximum subdivision contribution rates prescribed by
21-2 Subsection (c).

21-3 SECTION 64. Sections 844.704(a) and (d), Government Code,
21-4 are amended to read as follows:

21-5 (a) On the adoption of the plan provisions of this
21-6 subchapter, the governing body of the subdivision shall select a
21-7 percentage for determining multiple matching credits under Section
21-8 843.402 [~~843.403~~]. The governing body shall select a percentage of
21-9 zero or any percentage that is a multiple of five percent and that
21-10 does not exceed 150 percent, or it may select the multiple matching
21-11 percentage that the subdivision has in effect on the date of its
21-12 adoption of the plan provisions of this subchapter. The governing
21-13 body may later increase the percentage used in determining multiple
21-14 matching credits under Section 843.402 [~~843.403~~] to any percentage
21-15 that is a multiple of five percent to take effect on the next
21-16 January 1 after the date the increase is adopted, except that the
21-17 sum of the percentage for current service credits under Section
21-18 843.402 [~~843.403~~] and the percentage for multiple matching credits
21-19 may not exceed 250 percent. In its order or resolution, the
21-20 governing body may provide that the increased percentage will be
21-21 used in determining multiple matching credits under Section 843.402
21-22 [~~843.403~~] only for employee contributions made after the effective
21-23 date of the increase or that the increased percentage will be used
21-24 both prospectively and retroactively in determining the multiple
21-25 matching credits for all employee contributions not otherwise
21-26 matched at a higher percentage. The governing body may thereafter
21-27 reduce the percentage used in determining multiple matching credits
21-28 under Section 843.402 [~~843.403~~] for contributions made after the
21-29 effective date of the reduction to zero or any percentage that is a
21-30 multiple of five percent, to take effect on the next January 1 after
21-31 the date of the reduction.

21-32 (d) The governing body of a subdivision [~~that has adopted or~~
21-33 ~~is adopting the plan provisions of this subchapter~~] may adopt or
21-34 authorize:

21-35 (1) an increase in retirement annuities under Section
21-36 844.209;

21-37 (2) an increase in retirement annuities under Section
21-38 844.208;

21-39 (3) the reestablishment of service credit previously
21-40 forfeited under Section 843.003;

21-41 (4) the establishment of credited service for military
21-42 service under Section 843.502(c) [~~843.601(c)~~];

21-43 (5) an optional service retirement [~~the benefit~~]
21-44 eligibility provision [~~plan~~] described by Section 844.1021
21-45 [~~844.210, 844.211, or 844.212~~]; or

21-46 (6) the partial lump-sum distribution on service
21-47 retirement under Section 844.009.

21-48 SECTION 65. Section 845.003(b), Government Code, is amended
21-49 to read as follows:

21-50 (b) If a person serving as a trustee ceases to meet an
21-51 eligibility requirement under Subsection (a), the person [~~may not~~
21-52 ~~act as a trustee and~~] shall vacate the office of trustee.

21-53 SECTION 66. Section 845.007, Government Code, is amended by
21-54 amending Subsection (c) and adding Subsections (e) and (f) to read
21-55 as follows:

21-56 (c) Except as otherwise permitted by Section 845.301(a-1),
21-57 Chapter 551, or other law, all [~~All~~] meetings of the board must be
21-58 open to the public.

21-59 (e) Notwithstanding Chapter 551 or any other law, the board
21-60 of trustees may hold an open or closed meeting by telephone
21-61 conference call, videoconference, or other similar
21-62 telecommunication method. The board may use a telephone conference
21-63 call, videoconference, or other similar telecommunication method
21-64 for purposes of establishing a quorum or voting or for any other
21-65 meeting purpose in accordance with Subsection (f) and this
21-66 subsection. This subsection applies without regard to the subject
21-67 matter discussed or considered by the board at the meeting.

21-68 (f) A meeting held by telephone conference call,
21-69 videoconference, or other similar telecommunication method:

22-1 (1) is subject to the notice requirements applicable
 22-2 to other board meetings;

22-3 (2) may not be held unless notice of the meeting
 22-4 specifies the location of the meeting at which at least one trustee
 22-5 of the board will be physically present; and

22-6 (3) must be open and audible to the public at the
 22-7 location specified in the notice under Subdivision (2) during the
 22-8 open portions of the meeting.

22-9 SECTION 67. Section 845.102, Government Code, is amended to
 22-10 read as follows:

22-11 Sec. 845.102. RULES AND STANDARDS [RULEMAKING]. (a) The
 22-12 board of trustees shall adopt rules and perform reasonable
 22-13 activities necessary or desirable for efficient administration of
 22-14 the system.

22-15 (b) Subject to the provisions of this subtitle, the board of
 22-16 trustees may establish systemwide standards to which all
 22-17 subdivisions are subject and that apply to all members of the
 22-18 retirement system or to all members similarly situated in a class.
 22-19 The board may establish or modify a systemwide standard at a time
 22-20 and in a manner the board determines to be appropriate and in the
 22-21 best interests of the system, the members, or their beneficiaries.

22-22 SECTION 68. Subchapter B, Chapter 845, Government Code, is
 22-23 amended by adding Section 845.111 to read as follows:

22-24 Sec. 845.111. INSURANCE. Notwithstanding any other law,
 22-25 the board of trustees may self-insure or purchase any insurance the
 22-26 board considers reasonable and prudent for the performance of board
 22-27 duties and prerogatives.

22-28 SECTION 69. Section 845.114, Government Code, is amended to
 22-29 read as follows:

22-30 Sec. 845.114. DEFINITION OF PARTICIPANT; OBTAINING
 22-31 INFORMATION. (a) In this section, "participant" means a member,
 22-32 former member, retiree, annuitant, beneficiary, or alternate payee
 22-33 of the retirement system.

22-34 (b) The retirement system [board of trustees] shall obtain
 22-35 from participants and subdivisions [a member or a participating
 22-36 subdivision] information necessary for the proper operation and
 22-37 administration of the [retirement] system.

22-38 (c) Each participant and subdivision shall timely provide
 22-39 to the retirement system in the form and manner specified by the
 22-40 system information the board of trustees determines to be necessary
 22-41 for the proper operation and administration of the system.

22-42 ~~[(b) The board may require reports from the participating~~
 22-43 ~~subdivisions for the efficient handling of members' deposits. A~~
 22-44 ~~participating subdivision shall:~~

22-45 ~~[(1) prepare the reports in the form specified by the~~
 22-46 ~~board; and~~

22-47 ~~[(2) file the reports at the time specified by the~~
 22-48 ~~board.]~~

22-49 SECTION 70. The heading to Section 845.115, Government
 22-50 Code, is amended to read as follows:

22-51 Sec. 845.115. CONFIDENTIALITY OF PARTICIPANT INFORMATION
 22-52 [ABOUT MEMBERS, RETIREES, ANNUITANTS, OR BENEFICIARIES].

22-53 SECTION 71. Section 845.115, Government Code, is amended by
 22-54 amending Subsections (a) and (d) and adding Subsections (b-1), (e),
 22-55 and (f) to read as follows:

22-56 (a) Information contained in records in the custody of the
 22-57 retirement system or maintained in the custody of another
 22-58 governmental entity or an administrator or carrier acting in
 22-59 cooperation with or on behalf of the retirement system concerning a
 22-60 participant [an individual member, retiree, annuitant, or
 22-61 beneficiary] is confidential. Except as otherwise provided by this
 22-62 section, the retirement system is not required to accept or comply
 22-63 with a request for a record or information about a record of a
 22-64 participant or to seek an opinion from the attorney general because
 22-65 the records of a participant are exempt from the public information
 22-66 provisions of [and is not subject to public disclosure under]
 22-67 Chapter 552. The information may not be disclosed in a form
 22-68 identifiable with a specific individual unless:

22-69 (1) the information is disclosed to:

23-1 (A) the participant [~~individual~~] or the
 23-2 participant's [~~individual's~~] attorney, guardian, executor,
 23-3 administrator, conservator, or other person who the director
 23-4 determines is acting in the interest of the participant
 23-5 [~~individual~~] or the participant's [~~individual's~~] estate;

23-6 (B) a spouse or former spouse of the participant
 23-7 [~~individual~~] and the director determines that the information is
 23-8 relevant to the spouse's or former spouse's interest in member
 23-9 accounts, benefits, or other amounts payable by the retirement
 23-10 system;

23-11 (C) a governmental official or employee and the
 23-12 director determines that disclosure of the information requested is
 23-13 reasonably necessary to the performance of the duties of the
 23-14 official or employee; or

23-15 (D) a person authorized by the participant
 23-16 [~~individual~~] in writing to receive the information; or

23-17 (2) the information is disclosed pursuant to a
 23-18 subpoena and the director determines that the participant
 23-19 [~~individual~~] will have a reasonable opportunity to contest the
 23-20 subpoena.

23-21 (b-1) This section does not require the retirement system to
 23-22 compile or disclose a list of participants' names, addresses,
 23-23 social security numbers, or other descriptive or demographic
 23-24 information.

23-25 (d) A determination and disclosure under Subsection (a) may
 23-26 be made without notice to the participant [~~individual member,~~
 23-27 ~~retiree, annuitant, or beneficiary~~].

23-28 (e) The records of a participant remain confidential after
 23-29 release to a person as authorized by this section. The records of
 23-30 the participant may become part of a public record of an
 23-31 administrative or judicial proceeding, and the participant waives
 23-32 the confidentiality of the records, including medical records,
 23-33 unless the records are closed to public access by a protective order
 23-34 issued under applicable law.

23-35 (f) In this section, "participant" has the meaning assigned
 23-36 by Section 845.114(a).

23-37 SECTION 72. Subchapter B, Chapter 845, Government Code, is
 23-38 amended by adding Section 845.1151 to read as follows:

23-39 Sec. 845.1151. ELECTRONIC INFORMATION. (a) In this
 23-40 section, "participant" has the meaning assigned by Section
 23-41 845.114(a).

23-42 (b) The retirement system may provide confidential
 23-43 information electronically to a participant and to a subdivision
 23-44 and receive information electronically from those persons,
 23-45 including by use of an electronic signature or certification in a
 23-46 form acceptable to the retirement system. An unintentional
 23-47 disclosure to, or unauthorized access by, a third party related to
 23-48 the transmission or receipt of information under this section is
 23-49 not a violation by the retirement system of any law, including a
 23-50 rule relating to the protection of confidential information.

23-51 SECTION 73. Section 845.203(b), Government Code, is amended
 23-52 to read as follows:

23-53 (b) The attorney shall act as the legal adviser to the board
 23-54 [~~and shall represent the system in all litigation~~].

23-55 SECTION 74. Section 845.301, Government Code, is amended by
 23-56 amending Subsection (a) and adding Subsection (a-1) to read as
 23-57 follows:

23-58 (a) The assets of the retirement system shall be invested
 23-59 and reinvested without distinction as to their source in accordance
 23-60 with Section 67, Article XVI, Texas Constitution. For purposes of
 23-61 the investment authority of the board of trustees under Section 67,
 23-62 Article XVI, Texas Constitution, "securities" means any investment
 23-63 instrument within the meaning of the term as defined by Section 4,
 23-64 The Securities Act (Article 581-4, Vernon's Texas Civil Statutes),
 23-65 15 U.S.C. Section 77b(a)(1), or 15 U.S.C. Section 78c(a)(10). An
 23-66 interest in a limited partnership or investment contract is
 23-67 considered a security without regard to the number of investors or
 23-68 the control, access to information, or rights granted to or
 23-69 retained by the retirement system. Any instrument or contract

24-1 intended to manage transaction, currency exchange, or interest rate
 24-2 risk in purchasing, selling, or holding securities, or that derives
 24-3 all or substantially all of its value from the value or performance
 24-4 of one or more securities, including an index or group of
 24-5 securities, is considered to be a security. Investment decisions
 24-6 are subject to the standard provided in the Texas Trust Code by
 24-7 Section 117.004(b), Property Code.

24-8 (a-1) Notwithstanding any provision of Chapter 551 or any
 24-9 other law, the board of trustees may discuss an investment or
 24-10 potential investment with one or more employees of the retirement
 24-11 system or with a third party to the extent permitted to the board of
 24-12 trustees of the Texas growth fund under Section 551.075.

24-13 SECTION 75. Section 845.303(b), Government Code, is amended
 24-14 to read as follows:

24-15 (b) To be eligible to lend securities under this section, a
 24-16 bank or brokerage firm must:

24-17 (1) be experienced in the operations of a fully
 24-18 secured securities lending program;

24-19 (2) maintain capital adequate in the prudent judgment
 24-20 of the retirement system to assure the safety of the securities;

24-21 (3) execute an indemnification agreement satisfactory
 24-22 in form and content to the retirement system [~~fully indemnifying~~
 24-23 ~~the retirement system against loss resulting from its operation of~~
 24-24 ~~a securities lending program for the system's securities]; and~~

24-25 (4) require any securities broker or dealer to whom it
 24-26 lends securities belonging to the retirement system to deliver to
 24-27 and maintain with the custodian collateral in the form of cash or
 24-28 United States government securities, the market value of which must
 24-29 equal not less than 100 percent of the market value, from time to
 24-30 time, of the loaned securities.

24-31 SECTION 76. Section 845.305(c), Government Code, is amended
 24-32 to read as follows:

24-33 (c) Amounts contributed by a subdivision to provide
 24-34 benefits under the optional group term life program [~~insurance~~] for
 24-35 its participating employees and retirees shall be deposited to the
 24-36 optional group term life fund and maintained by the board of
 24-37 trustees as the optional group term life [~~fund of the supplemental~~
 24-38 ~~death benefits] trust.~~

24-39 SECTION 77. The heading to Section 845.312, Government
 24-40 Code, is amended to read as follows:

24-41 Sec. 845.312. OPTIONAL GROUP TERM LIFE [~~SUPPLEMENTAL DEATH~~
 24-42 ~~BENEFITS] FUND.~~

24-43 SECTION 78. Sections 845.312(a) and (b), Government Code,
 24-44 are amended to read as follows:

24-45 (a) The retirement system shall deposit in the optional
 24-46 group term life [~~supplemental death benefits] fund contributions~~
 24-47 paid by subdivisions to the retirement system to provide optional
 24-48 group term life [~~supplemental death] benefits in accordance with~~
 24-49 Section 845.406. The retirement system may not establish separate
 24-50 accounts in the fund for subdivisions participating in the optional
 24-51 group term life program [~~fund] but shall credit contributions to a~~
 24-52 single account.

24-53 (b) The retirement system shall pay benefits under the
 24-54 optional group term life program [~~supplemental death benefits] only~~
 24-55 from money in the optional group term life [~~supplemental death~~
 24-56 ~~benefits] fund, and the benefits are not an obligation of other~~
 24-57 funds of the system.

24-58 SECTION 79. Section 845.313, Government Code, is amended by
 24-59 adding Subsection (d) to read as follows:

24-60 (d) If payment by check to an individual would be, or has
 24-61 become, impractical, insecure, or proportionally more costly for
 24-62 the retirement system than payment by check to other persons, the
 24-63 system may hold or suspend any payment and require the individual to
 24-64 accept payment by another means or method that is practical,
 24-65 secure, and cost-effective.

24-66 SECTION 80. Section 845.314, Government Code, is amended to
 24-67 read as follows:

24-68 Sec. 845.314. INTEREST RATES. [~~(a)~~] Unless this subtitle
 24-69 expressly states [~~that interest is computed using the current~~

~~interest rate or] another specified rate of interest, for periods beginning after December 31, 1996, the annual rate of interest is seven percent [computed using the rate of:~~

~~[(1) three percent a year compounded annually for periods before January 1, 1977;~~

~~[(2) four percent a year compounded annually for periods after December 31, 1976, but before January 1, 1982;~~

~~[(3) four and one-half percent a year compounded annually for periods after December 31, 1981, but before January 1, 1985; and~~

~~[(4) seven percent a year compounded annually for periods after December 31, 1984].~~

~~[(b) Subsection (a) does not change the amount of an annuity on which a monthly benefit payment was made before October 1, 1985, and does not require recomputation of that amount; but, the board of trustees may increase by as much as 12-1/2 percent the amount payable each month after October 1, 1985, by reason of basic and supplement annuities that were in effect during and for which a monthly benefit was paid by the system for the month of September, 1985.~~

~~[(c) The current interest rate is seven percent for calendar years after December 31, 1996.]~~

SECTION 81. The heading to Section 845.316, Government Code, is amended to read as follows:

Sec. 845.316. TRANSFER OF ASSETS ON RETIREMENT [~~OR RESTORATION TO ACTIVE DUTY~~].

SECTION 82. Section 845.316(a), Government Code, is amended to read as follows:

(a) When a member retires, the retirement system shall transfer:

(1) from the employees saving fund to the current service annuity reserve fund, the member's accumulated contributions; and

(2) from the subdivision accumulation fund to the current service annuity reserve fund, an amount equal to the member's ~~accumulated~~ current service credit.

SECTION 83. Section 845.317, Government Code, is amended by amending Subsection (b) and adding Subsection (d) to read as follows:

(b) If the participation of a subdivision has terminated under Section 842.052 or 842.053 and the subdivision has no present or potential liabilities resulting from the participation of current or former employees, the retirement system, after application by the subdivision or its governmental successor in interest, shall pay to the subdivision or its governmental successor any remaining credit to the account of the subdivision in the subdivision accumulation fund.

(d) If a participating subdivision has ceased to exist and diligent efforts by the retirement system to identify a governmental entity as the successor in interest to the subdivision have been unsuccessful, the board of trustees may close the subdivision's account and transfer the remaining credit to the endowment fund.

SECTION 84. The heading to Section 845.318, Government Code, is amended to read as follows:

Sec. 845.318. CONSOLIDATION OF COUNTY'S ACCOUNTS IN SUBDIVISION ACCUMULATION FUND; RETURN OF EXCESS FUNDS.

SECTION 85. Section 845.318, Government Code, is amended by adding Subsection (c) to read as follows:

(c) If the participation of a county hospital as a subdivision separate from other county employees is terminated under this subtitle, the retirement system shall pay to the county any excess funds remaining in the subdivision accumulation fund to the credit of the account of the county hospital.

SECTION 86. Subchapter E, Chapter 845, Government Code, is amended by adding Section 845.4031 to read as follows:

Sec. 845.4031. CONTRIBUTIONS IN ANTICIPATION OF PARTICIPATION. (a) After a subdivision has officially elected to join the retirement system and has specified the date for its

26-1 participation to begin, and before the board of trustees has
 26-2 approved its participation, the subdivision may, with the consent
 26-3 of the director, begin deducting from an employee's compensation
 26-4 for each payroll period beginning on or after the specified
 26-5 participation date the contribution that would be deducted if the
 26-6 subdivision were then participating.

26-7 (b) The subdivision shall collect and segregate the amounts
 26-8 deducted from its employees' compensation and the contributions
 26-9 that the subdivision would be required to make under this subtitle
 26-10 if it were then participating.

26-11 (c) The period during which contributions may be deducted
 26-12 from an employee's compensation in anticipation of board approval
 26-13 of participation may not exceed six months and may not extend into a
 26-14 subsequent calendar year without consent of the board of trustees.
 26-15 During the period that board approval is pending, the subdivision
 26-16 may not participate in, and the subdivision's employees may not be
 26-17 covered by, the optional group term life program.

26-18 (d) On approval of participation, the subdivision shall
 26-19 immediately transfer to the retirement system, for credit to the
 26-20 appropriate funds within the system, the amounts collected and
 26-21 segregated under Subsection (b). If the subdivision previously
 26-22 elected to participate in the optional group term life program,
 26-23 participation in that program begins on the first day of the month
 26-24 following the month in which the board of trustees approves
 26-25 participation in the system.

26-26 (e) If the board of trustees disapproves the subdivision's
 26-27 participation in the retirement system, the subdivision shall pay
 26-28 all employee contributions collected and segregated in
 26-29 anticipation of board approval to the employees from whom the
 26-30 contributions were withheld.

26-31 SECTION 87. Section 845.406, Government Code, is amended to
 26-32 read as follows:

26-33 Sec. 845.406. OPTIONAL GROUP TERM LIFE [~~SUPPLEMENTAL DEATH~~
 26-34 ~~BENEFITS~~] PROGRAM. (a) In addition to other contributions to the
 26-35 retirement system required by this subtitle, each subdivision
 26-36 participating in the optional group term life program [~~supplemental~~
 26-37 ~~death benefits fund~~] monthly shall pay to the optional group term
 26-38 life fund an amount equal to the rate of contribution computed in
 26-39 accordance with this section, multiplied by the total compensation
 26-40 for the month of the members employed by the subdivision.

26-41 (b) A limitation on subdivision contribution rates provided
 26-42 by this subtitle does not apply to the rate of the contribution to
 26-43 the optional group term life [~~supplemental death benefits~~] fund.

26-44 (c) At the time of each investigation of members' mortality
 26-45 and service experience required by Section 845.110, the actuary
 26-46 shall investigate the mortality experience of the members and
 26-47 eligible annuitants participating in the [~~supplemental death~~
 26-48 ~~benefits~~] program. On the basis of the result of that
 26-49 investigation, the actuary shall recommend to the board of trustees
 26-50 rates and tables necessary to determine optional group term life
 26-51 program [~~supplemental death benefits~~] contribution rates. The
 26-52 rates and tables may provide for the anticipated mortality
 26-53 experience of the persons covered under the program [~~supplemental~~
 26-54 ~~death benefits fund~~] and for a contingency reserve.

26-55 (d) Before a subdivision's participation date in the
 26-56 program [~~supplemental death benefits fund~~] and before January 1 of
 26-57 each subsequent year, the actuary shall compute, on the basis of
 26-58 rates and tables adopted by the board of trustees, the
 26-59 [~~supplemental death benefits~~] contribution rate of a subdivision
 26-60 participating in the program [~~supplemental death benefits~~
 26-61 ~~contribution fund~~]. The rate must be expressed as a percentage of
 26-62 the compensation of members employed by the subdivision. When the
 26-63 rate is approved by the board of trustees, the rate is effective for
 26-64 the calendar year for which it was approved.

26-65 (e) The board of trustees, in the exercise of its discretion
 26-66 to manage the assets of the retirement system, may lend money to the
 26-67 optional group term life [~~supplemental death benefits~~] fund if the
 26-68 amount in the fund is insufficient to pay the [~~supplemental death~~
 26-69 ~~benefits due~~]. Any loan is an investment of the retirement system

27-1 and must be repaid solely from future contributions to the
 27-2 [~~supplemental death benefits~~] fund and its share of trust earnings.
 27-3 The terms of the loan shall be set by the board of trustees, but the
 27-4 loan must bear a commercially reasonable interest rate. The board
 27-5 may adjust future contributions to the [~~supplemental death~~
 27-6 ~~benefits~~] fund for purposes of repayment of the loan.

27-7 (f) To protect against adverse claim experience, the board
 27-8 of trustees may secure reinsurance from one or more stock insurance
 27-9 companies doing business in this state if the board determines that
 27-10 reinsurance is necessary. The retirement system shall pay the
 27-11 premiums for reinsurance from the optional group term life
 27-12 [~~supplemental death benefits~~] fund.

27-13 SECTION 88. Section 845.503, Government Code, is amended to
 27-14 read as follows:

27-15 Sec. 845.503. AUTHORITY TO RECOUP OR MAKE ADJUSTMENTS FOR
 27-16 PAYMENTS MADE IN ERROR. (a) The retirement system may reduce
 27-17 future payments of benefits based on the account of a member, a
 27-18 retiree, or other former member to recoup an amount overpaid or
 27-19 otherwise paid in error to or on the behalf of the member, former
 27-20 member, retiree, annuitant, or beneficiary [~~or other former~~
 27-21 ~~member~~]. If no future payments are due, the retirement system may
 27-22 recover the overpayment in any manner that is permitted for the
 27-23 collection of any other debt.

27-24 (b) The retirement system may not recover from a member,
 27-25 former member, retiree, annuitant, or beneficiary [~~or other former~~
 27-26 ~~member~~] any overpayment made more than three years before the date
 27-27 the overpayment is discovered. This subsection does not apply to an
 27-28 overpayment a reasonable person should know the person is not
 27-29 entitled to receive.

27-30 (c) The retirement system may adjust amounts in a
 27-31 subdivision's account in the subdivision accumulation fund to
 27-32 correct an error caused by an act or omission of the subdivision
 27-33 [~~related to the account~~].

27-34 SECTION 89. The heading to Section 845.505, Government
 27-35 Code, is amended to read as follows:

27-36 Sec. 845.505. UNDISTRIBUTED [~~UNCLAIMED~~] BENEFITS.

27-37 SECTION 90. Section 845.505, Government Code, is amended by
 27-38 amending Subsections (b), (c), (d), (e), (f), and (i) and adding
 27-39 Subsection (f-1) to read as follows:

27-40 (b) A notice under this section must include the name of the
 27-41 former member, the name of each subdivision with which the former
 27-42 member has an individual account, a statement that no additional
 27-43 interest is credited after a membership has terminated, a statement
 27-44 that a benefit is [~~currently~~] payable, and a statement of the
 27-45 procedure for obtaining payment of that benefit[, ~~and a statement~~
 27-46 ~~that a failure to file a valid application for benefits may cause~~
 27-47 ~~unclaimed benefits to be forfeited to the retirement system~~].

27-48 (c) If a person files with the retirement system a valid
 27-49 application for an annuity based on a membership that terminated
 27-50 under Section 842.109(b), the retirement system shall pay an
 27-51 annuity computed as of the former member's effective retirement
 27-52 date as determined under that section [~~date on which the annuity~~
 27-53 ~~would have been required to begin under this subtitle~~].

27-54 (d) An applicant who is a [~~the~~] former member may select the
 27-55 standard [~~service~~] retirement annuity or an optional [~~service~~]
 27-56 retirement annuity under Section 844.0041(c) or (d) [~~844.104~~]. An
 27-57 applicant who is the surviving beneficiary or the personal
 27-58 representative [~~spouse~~] of a deceased [~~the~~] former member may
 27-59 select an [~~optional service retirement~~] annuity payable in a form
 27-60 authorized by the board of trustees under Section 844.407 [~~under~~
 27-61 ~~Section 844.104. If the applicant is not the former member or~~
 27-62 ~~surviving spouse, the annuity will be computed as an annuity under~~
 27-63 ~~Section 844.104(c)(7)]]. All annuity payments that previously would
 27-64 have been paid if the annuity had begun on the effective retirement
 27-65 date [~~required under this subtitle~~] will be paid to the applicant.~~

27-66 (e) If a person files with the retirement system a valid
 27-67 application for a refund of a former member's accumulated
 27-68 contributions or a valid application for a benefit payable under
 27-69 the optional group term life program, the retirement system shall

28-1 pay to the applicant the portion [amount] of the former member's
 28-2 accumulated contributions or the portion of the optional group term
 28-3 life benefits to which the applicant is entitled.

28-4 (f) If a person eligible to receive a benefit fails to
 28-5 provide accurate and verifiable information regarding the
 28-6 identity, age, taxpayer identification number, or residential
 28-7 address of the person or the person's beneficiary, the retirement
 28-8 system may hold or delay payment of any benefit until the
 28-9 information is provided. If a person receiving an annuity fails to
 28-10 negotiate two or more annuity payments, fails to respond to a
 28-11 written request for information relevant to the annuitant's
 28-12 continuing right to receive benefits or relevant to the
 28-13 responsibility of the system to report accurately the distribution
 28-14 under federal or state law, fails to provide the system with an
 28-15 address for the delivery of a benefit that is safe and secure from
 28-16 loss, theft, or misdelivery, or fails in any other manner that
 28-17 interferes with or impedes the efficient administration of the
 28-18 system, the system may suspend and hold all benefit payments until
 28-19 the failure is corrected [more than five consecutive annuity
 28-20 payments, the retirement system may send a notice to that person,
 28-21 stating that unless the previous payments are negotiated not later
 28-22 than the 30th day after the date of the notice, payment of benefits
 28-23 will be suspended. After receipt of a valid application, the
 28-24 retirement system shall resume making monthly payments. All
 28-25 annuity payments that would have otherwise been paid if the annuity
 28-26 had not been suspended will be paid to the person or, if the person
 28-27 has died, to the decedent's beneficiary or, if no beneficiary
 28-28 exists, to the annuitant's estate].

28-29 (f-1) If there is a continuation of an optional annuity, the
 28-30 retirement system shall pay to the person receiving the continuing
 28-31 annuity any amount held by the system to which the deceased person
 28-32 was entitled. If the annuity terminates with the death of the
 28-33 person, any amount held by the retirement system to which a deceased
 28-34 person was entitled is payable under rules and procedures adopted
 28-35 by the board of trustees.

28-36 (i) The board of trustees may adopt rules concerning the
 28-37 notice, distribution, management, transfer, and administration of
 28-38 unclaimed, held, delayed, and suspended benefits, ~~and~~ the
 28-39 authority of an applicant to act as trustee of an absent beneficiary
 28-40 in the selection of a payment option or receipt of an absent
 28-41 beneficiary's benefit under this section, and the distribution of
 28-42 benefits to an alternate payee under a qualified domestic relations
 28-43 order with respect to a terminated membership.

28-44 SECTION 91. Section 845.506, Government Code, is amended to
 28-45 read as follows:

28-46 Sec. 845.506. APPEAL OF ADMINISTRATIVE DECISION. (a) A
 28-47 decision of the retirement system is final and conclusive unless an
 28-48 appeal is filed in writing with the system by regular mail or
 28-49 electronic filing, as that term is defined by Section
 28-50 845.116(a)(1), not later than the 90th day after the earlier of the
 28-51 date the person subject to the decision receives notice of the
 28-52 decision by any means or the date the system files notice of its
 28-53 decision with the person by regular mail or electronic means.

28-54 (b) A person may appeal a decision to the board of trustees
 28-55 if the person is aggrieved by a decision of the retirement system
 28-56 relating to the system or any program administered by the system
 28-57 under this subtitle:

28-58 (1) denying or limiting membership, service credit, or
 28-59 eligibility for or the amount of benefits payable by the system; or

28-60 (2) regarding to whom benefits should be paid under
 28-61 the system or program.

28-62 (c) The director or the director's designee may refer an
 28-63 appeal made under Subsection (a) to the State Office of
 28-64 Administrative Hearings for a hearing or employ, select, or
 28-65 contract for the services of an administrative law judge or hearing
 28-66 examiner not affiliated with the State Office of Administrative
 28-67 Hearings to conduct a hearing. This subsection prevails over any
 28-68 other law to the extent of any conflict.

28-69 (d) An appeal under this section is considered to be a

29-1 contested case under Chapter 2001. The appellant in a contested
 29-2 case under this section has the burden of proof on all issues,
 29-3 including issues in the nature of an affirmative defense.

29-4 (e) The board of trustees may in its sole discretion make a
 29-5 final decision on a contested case under this section.
 29-6 Notwithstanding any other law, the board may in its sole discretion
 29-7 modify, refuse to accept, or delete any proposed finding of fact or
 29-8 conclusion of law contained in a proposal for decision submitted by
 29-9 an administrative law judge or other hearing examiner, or make
 29-10 alternative findings of fact and conclusions of law, in a
 29-11 proceeding considered to be a contested case under Chapter 2001.
 29-12 The board shall state in writing the specific reason for its
 29-13 determination and may adopt rules for the implementation of this
 29-14 subsection. The board may delegate its authority under this
 29-15 subsection to the director.

29-16 (f) Notwithstanding Subsections (d) and (e), the retirement
 29-17 system and a person aggrieved by a decision of the system may at any
 29-18 time informally negotiate an award of benefits. Negotiated
 29-19 benefits may not exceed the maximum benefits otherwise available or
 29-20 required by law.

29-21 (g) A final decision of the board of trustees in a contested
 29-22 case under this section is subject to judicial review under Chapter
 29-23 2001. The standard of review is by substantial evidence. Venue of
 29-24 the appeal is only in a district court in Travis County. [A
 29-25 decision of the board of trustees denying or limiting membership,
 29-26 service credit, eligibility for or the amount of benefits payable
 29-27 by the retirement system, or regarding to whom benefits should be
 29-28 paid is a decision in a contested case as defined by the
 29-29 administrative procedure law, Chapter 2001, and is subject to
 29-30 judicial review under the substantial evidence rule in accordance
 29-31 with Sections 2001.174-2001.177.]

29-32 SECTION 92. The following provisions of the Government Code
 29-33 are repealed:

- 29-34 (1) Section 842.001(b);
- 29-35 (2) Section 842.006;
- 29-36 (3) Sections 842.108(a) and (a-1);
- 29-37 (4) Section 842.109(d);
- 29-38 (5) Section 843.103;
- 29-39 (6) Sections 843.104(b) and (c);
- 29-40 (7) Section 843.108;
- 29-41 (8) Section 843.201(d);
- 29-42 (9) Section 843.403;
- 29-43 (10) the heading to Subchapter G, Chapter 843;
- 29-44 (11) Subchapter H, Chapter 843;
- 29-45 (12) Sections 844.009(d) and (g);
- 29-46 (13) Section 844.103;
- 29-47 (14) Section 844.104;
- 29-48 (15) Section 844.202;
- 29-49 (16) Section 844.207;
- 29-50 (17) Section 844.208(g);
- 29-51 (18) Section 844.209(g);
- 29-52 (19) Section 844.210;
- 29-53 (20) Section 844.211;
- 29-54 (21) Section 844.212;
- 29-55 (22) Section 844.304;
- 29-56 (23) Section 844.305;
- 29-57 (24) Section 844.306(b);
- 29-58 (25) Section 844.308;
- 29-59 (26) Section 844.310;
- 29-60 (27) Sections 844.407(f), (g), (h), (i), and (j);
- 29-61 (28) Section 844.704(c);
- 29-62 (29) Section 845.304; and
- 29-63 (30) Sections 845.316(b) and (c).

29-64 SECTION 93. Section 841.001, Government Code, as amended by
 29-65 this Act, applies to Sections 94 through 97 of this Act.

29-66 SECTION 94. The accumulated contributions attributable to a
 29-67 membership in the Texas County and District Retirement System that
 29-68 was terminated before January 1, 2005, under prior law because of
 29-69 absence from service are held by the retirement system in a

30-1 noninterest-bearing account and may not be considered deposits
30-2 under Section 843.003 or 843.0031, Government Code, as amended by
30-3 this Act, until the person:

- 30-4 (1) again becomes a member of the retirement system;
- 30-5 (2) is eligible under Section 843.003 or 843.0031,
30-6 Government Code, as amended by this Act; and
- 30-7 (3) submits an application to the retirement system.

30-8 SECTION 95. Sections 844.102(a)(1) and (3), Government
30-9 Code, as amended by this Act, do not apply to a participating
30-10 subdivision in the Texas County and District Retirement System that
30-11 on December 31, 2007, required 12 years of credited service before
30-12 service retirement from the system at age 60 or older. The 12-year
30-13 credited service requirement to meet the minimum eligibility for
30-14 service retirement at age 60 or older remains in effect for a
30-15 subdivision described by this section. A subdivision described by
30-16 this section subsequently may elect to be subject to Section
30-17 844.102, Government Code, as amended by this Act, effective on the
30-18 date the election is made.

30-19 SECTION 96. A member of the Texas County and District
30-20 Retirement System who on December 31, 1999, had any eligible
30-21 credited service with a subdivision that as of that date authorized
30-22 a service retirement annuity for a member when the sum of the
30-23 member's age and credited service equaled or exceeded a specified
30-24 number, whose membership in the retirement system continued after
30-25 that date without interruption, who has accumulated at least four
30-26 years of eligible credited service, and whose membership is
30-27 terminated under Section 842.108(b), Government Code, because of
30-28 the requirements of Section 841.010, Government Code, is
30-29 immediately eligible to retire and receive a service retirement
30-30 annuity computed without actuarial reduction because of the failure
30-31 to satisfy a required service eligibility provision in effect for
30-32 the subdivision on the date the annuity is computed.

30-33 SECTION 97. Effective September 1, 2007, a participating
30-34 subdivision in the Texas County and District Retirement System that
30-35 elected before January 1, 1978, to provide a ratio of current
30-36 service credits to member contributions that is greater than
30-37 one-to-one, resulting in the larger portion of a member's total
30-38 service credits consisting of current service credits, may by order
30-39 of its governing body adopted before January 1, 2008, continue the
30-40 ratio of current service credits in effect on December 31, 2007, and
30-41 be exempt from the change in law made to Section 843.003, Government
30-42 Code, by this Act. The total service credits accumulated by a
30-43 member may not be reduced as the result of an action or lack of an
30-44 action taken under this section.

30-45 SECTION 98. (a) Except as provided by Subsection (b) of
30-46 this section, this Act takes effect January 1, 2008.

30-47 (b) Sections 844.609 and 845.4031, Government Code, as
30-48 added by this Act, and Section 97 of this Act take effect September
30-49 1, 2007.

30-50 * * * * *