

1-1 By: Kuempel, et al. (Senate Sponsor - Williams) H.B. No. 360  
1-2 (In the Senate - Received from the House April 23, 2009;  
1-3 April 23, 2009, read first time and referred to Committee on State  
1-4 Affairs; May 6, 2009, reported favorably by the following vote:  
1-5 Yeas 9, Nays 0; May 6, 2009, sent to printer.)

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

1-8 relating to the crediting and charging of investment gains and  
1-9 losses on the assets held in trust by the Texas Municipal Retirement  
1-10 System and providing a guaranteed minimum credit to employee  
1-11 accounts.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Section 855.110, Government Code, is amended by  
1-14 amending Subsection (a) and adding Subsection (d) to read as  
1-15 follows:

1-16 (a) The board of trustees shall adopt rates and tables that  
1-17 the board considers necessary for the retirement system after  
1-18 considering the results of the actuary's investigation of the  
1-19 mortality and service experience of the system's members and  
1-20 annuitants. In adopting rates and tables, the board of trustees  
1-21 shall adopt a discount rate that is not less than five percent in  
1-22 developing an annuity purchase rate.

1-23 (d) In this section:

1-24 (1) "Annuity purchase rate" means the present value  
1-25 factor used to convert reserves to a monthly annuity based on the  
1-26 post-retirement discount rate assumption and the life expectancy of  
1-27 the retiree or beneficiary or both the retiree and the beneficiary  
1-28 at retirement under the selected form of payment.

1-29 (2) "Discount rate" means the interest rate used in  
1-30 determining the present value of future cash flows.

1-31 SECTION 2. Section 855.111(a), Government Code, is amended  
1-32 to read as follows:

1-33 (a) The board of trustees shall certify all current service  
1-34 contribution rates and ~~[7]~~ all prior service contribution rates~~[7~~  
1-35 ~~and the current interest rate computed in accordance with Section~~  
1-36 ~~855.316(c) and approved in writing by the actuary].~~

1-37 SECTION 3. Section 855.205(d), Government Code, is amended  
1-38 to read as follows:

1-39 (d) On the basis of rates and tables adopted by the board,  
1-40 the actuary shall:

1-41 (1) annually compute the normal contribution rate for  
1-42 each participating municipality;

1-43 (2) annually compute the prior service contribution  
1-44 rate for each participating municipality;

1-45 (3) ~~[compute the current interest rate in accordance~~  
1-46 ~~with Section 855.316(b)],~~

1-47 ~~[(4)]~~ compute the supplemental death benefits rate and  
1-48 the supplemental disability benefits rate for each participating  
1-49 municipality; and

1-50 (4) ~~[(5)]~~ make an annual valuation of the assets and  
1-51 liabilities of the funds of the retirement system.

1-52 SECTION 4. Section 855.307(a), Government Code, is amended  
1-53 to read as follows:

1-54 (a) The retirement system shall credit or charge to ~~[deposit~~  
1-55 ~~in]~~ the account of a participating municipality in the municipality  
1-56 accumulation fund:

1-57 (1) all current service contributions made by the  
1-58 municipality to the retirement system;

1-59 (2) net investment income or loss allocated to the  
1-60 fund under Section 855.317 ~~[interest allowed as provided by this~~  
1-61 ~~subtitle on money in the fund]; and~~

1-62 (3) the withdrawal charge for reinstatement of  
1-63 credited service as provided by Section 853.003.

1-64 SECTION 5. Section 855.308(a), Government Code, is amended

2-1 to read as follows:

2-2 (a) In addition to amounts credited or charged [~~deposited~~]  
 2-3 as provided by Section 855.307, the retirement system shall credit  
 2-4 to [~~deposit in~~] the account of a participating municipality in the  
 2-5 municipality accumulation fund all prior service contributions  
 2-6 made by the municipality to the retirement system.

2-7 SECTION 6. Section 855.310, Government Code, is amended to  
 2-8 read as follows:

2-9 Sec. 855.310. INTEREST FUND. (a) The amount in the  
 2-10 interest fund must accurately reflect the determination and  
 2-11 allocation of net investment income or loss [~~The retirement system~~  
 2-12 ~~shall deposit in the interest fund all income, interest, and~~  
 2-13 ~~dividends from deposits and investments authorized by this chapter.~~  
 2-14 ~~The system shall credit the amount of an adjustment made in~~  
 2-15 ~~accordance with Section 855.320 to the interest fund].~~

2-16 (b) The retirement system shall determine net investment  
 2-17 income or loss annually as of December 31 in accordance with  
 2-18 generally accepted accounting principles and shall allocate that  
 2-19 amount each year [~~On December 31 of each year, the retirement system~~  
 2-20 ~~shall transfer money from the interest fund] in accordance with  
 2-21 Section 855.317.~~

2-22 SECTION 7. Sections 855.311(c) and (e), Government Code,  
 2-23 are amended to read as follows:

2-24 (c) The retirement system shall credit or charge to the  
 2-25 interest reserve account, general reserves account, and  
 2-26 distributive benefits account amounts allocated [~~interest~~] in  
 2-27 accordance with Section 855.317.

2-28 (e) If the board of trustees determines that the amount  
 2-29 credited to the distributive benefits account on December 31 of any  
 2-30 year is sufficient to do so, the board by resolution may:

2-31 (1) authorize the distribution and payment of all or  
 2-32 part of the money credited to the account to persons who were  
 2-33 annuitants on that day in the ratio of the rate of the monthly  
 2-34 benefit of each annuitant to the total of all annuity payments made  
 2-35 by the system for the final month of the year; or

2-36 (2) authorize the distribution of all or part of the  
 2-37 amount credited to the account to[+]

2-38 [~~(A)~~] each member's individual account in the  
 2-39 employees saving fund as supplemental interest in the ratio of the  
 2-40 amount of [~~current~~] interest paid on the individual's account to  
 2-41 the [~~current~~] interest paid to all individual accounts for the  
 2-42 year[~~, and~~

2-43 [~~(B)~~] ~~each participating municipality's account~~  
 2-44 ~~in the municipality accumulation fund as supplemental interest in~~  
 2-45 ~~the ratio of the current interest allowed on the account of the~~  
 2-46 ~~municipality to the total current interest paid to all~~  
 2-47 ~~municipalities' accounts for the year].~~

2-48 SECTION 8. Section 855.312(b), Government Code, is amended  
 2-49 to read as follows:

2-50 (b) The board of trustees by resolution recorded in its  
 2-51 minutes shall transfer from the interest reserve account of the  
 2-52 endowment fund to the expense fund the amount that exceeds the  
 2-53 amount needed to provide adequate reserves as provided by Section  
 2-54 855.317 [~~against insufficient earnings on investments and against~~  
 2-55 ~~special and contingency requirements of other funds of the system]~~  
 2-56 and that is needed to pay the system's estimated expenses for the  
 2-57 fiscal year.

2-58 SECTION 9. Section 855.316, Government Code, is amended to  
 2-59 read as follows:

2-60 Sec. 855.316. INTEREST RATES. [~~(a)~~] Unless this subtitle  
 2-61 expressly specifies [~~states that interest is computed using the~~  
 2-62 ~~current interest rate or~~] another [~~specified~~] rate of interest, for  
 2-63 periods after December 31, 2008, the rate of interest is five  
 2-64 percent compounded annually, plus any other amounts the board of  
 2-65 trustees is expressly authorized to provide. Notwithstanding any  
 2-66 other provision in this chapter, the interest credited to the  
 2-67 employees saving fund in a calendar year may not be less than five  
 2-68 percent as allocated under Section 855.317(a) [~~computed using the~~  
 2-69 ~~rate of.~~

3-1 ~~[(1) 2-1/2 percent a year compounded annually for~~  
3-2 ~~periods before January 1, 1970;~~  
3-3 ~~[(2) 3 percent a year compounded annually for periods~~  
3-4 ~~after December 31, 1969, and before January 1, 1977;~~  
3-5 ~~[(3) 4 percent a year compounded annually for periods~~  
3-6 ~~after December 31, 1976, and before January 1, 1982; and~~  
3-7 ~~[(4) 5 percent a year compounded annually for periods~~  
3-8 ~~after December 31, 1981].~~  
3-9 ~~[(b) The current interest rate is the lesser of:~~  
3-10 ~~[(1) the interest rate prescribed by Subsection (a);~~  
3-11 ~~or~~  
3-12 ~~[(2) the interest rate computed by:~~  
3-13 ~~[(A) adding to the amount in the municipality~~  
3-14 ~~accumulation fund on January 1 of the year for which the computation~~  
3-15 ~~is made the sum of the accumulated contributions in the employees~~  
3-16 ~~saving fund on January 1 of the year of all persons who are members~~  
3-17 ~~on December 31 of the year, before any transfers for retirements~~  
3-18 ~~effective December 31 of the year are made, and the amount in the~~  
3-19 ~~endowment fund, after transfer of money to the expense fund, on~~  
3-20 ~~January 1 of the year; and~~  
3-21 ~~[(B) dividing the amount in the interest fund on~~  
3-22 ~~December 31 of that year after the transfer of interest to the~~  
3-23 ~~current service annuity reserve fund, municipality accumulation~~  
3-24 ~~fund, supplemental disability benefits fund, and supplemental~~  
3-25 ~~death benefits fund, by the amount computed under Paragraph (A).]~~  
3-26 SECTION 10. The heading to Section 855.317, Government  
3-27 Code, is amended to read as follows:  
3-28 Sec. 855.317. ANNUAL ALLOCATION OF NET INVESTMENT INCOME OR  
3-29 LOSS [TRANSFER OF ASSETS] FROM INTEREST FUND.  
3-30 SECTION 11. Sections 855.317(a) and (b), Government Code,  
3-31 are amended to read as follows:  
3-32 (a) Effective as of [On] December 31 of each year, the board  
3-33 of trustees shall make the following allocations from the interest  
3-34 fund that in the aggregate equal the net investment income or loss  
3-35 for the year [transfer from the interest fund the following  
3-36 amounts]:  
3-37 (1) to the current service annuity reserve fund,  
3-38 interest on the mean amount in the current service annuity reserve  
3-39 fund during that year;  
3-40 (2) to the supplemental disability benefits fund,  
3-41 interest on the mean amount in the supplemental disability benefits  
3-42 fund during that year;  
3-43 (3) to the supplemental death benefits fund, interest  
3-44 on the mean amount in the supplemental death benefits fund during  
3-45 that year;  
3-46 (4) to the accounts in the municipality accumulation  
3-47 fund, an amount derived by applying a positive or negative rate, as  
3-48 determined by the board of trustees in its sole discretion to the  
3-49 January 1 balances of that year for each of those accounts [current  
3-50 interest on the amount in the municipality accumulation fund on  
3-51 January 1 of that year];  
3-52 (5) to the interest reserve account of the endowment  
3-53 fund, a positive or negative amount as determined by the board of  
3-54 trustees in its sole discretion [current interest on the amount in  
3-55 the endowment fund on January 1 of that year]; and  
3-56 (6) to the employees saving fund, ~~current~~ interest  
3-57 on the sum of the accumulated contributions in the employees saving  
3-58 fund credited on January 1 of that year to all persons who are  
3-59 members on December 31 of that year before any transfers for  
3-60 retirement effective December 31 of that year are made.  
3-61 (b) In making allocations under this section, the board of  
3-62 trustees shall, without regard to the amount of net investment  
3-63 income or loss for the calendar year, first allocate interest as  
3-64 specified in Section 855.316 to those funds or accounts referenced  
3-65 in Subsections (a)(1), (2), (3), and (6). The board shall then  
3-66 allocate the remaining net investment income or loss between the  
3-67 funds or accounts referenced in Subsections (a)(4) and (5) in rates  
3-68 or amounts determined by the board in its sole discretion. The  
3-69 board of trustees shall accumulate the amount of assets in

4-1 [~~transfer to~~] the interest reserve account of the endowment fund  
4-2 [~~the portion of the amount remaining in the interest fund after the~~  
4-3 ~~transfers required by Subsection (a) are made~~] that the board in its  
4-4 sole discretion determines is necessary:

4-5 (1) to provide adequate reserves to:

4-6 (A) mitigate the effects of future investment  
4-7 return volatility and [~~against~~] insufficient net investment  
4-8 income; and

4-9 (B) provide reasonable rate stabilization for  
4-10 participating municipalities [~~future earnings on investments to~~  
4-11 ~~allow interest on the retirement system's funds~~];

4-12 (2) to provide adequate reserves against special and  
4-13 contingency requirements of other funds of the system; and

4-14 (3) to provide the amount required for the  
4-15 administration expenses of the system for the following year.

4-16 SECTION 12. Section 855.320, Government Code, is repealed.

4-17 SECTION 13. This Act takes effect immediately if it  
4-18 receives a vote of two-thirds of all the members elected to each  
4-19 house, as provided by Section 39, Article III, Texas Constitution.  
4-20 If this Act does not receive the vote necessary for immediate  
4-21 effect, this Act takes effect September 1, 2009.

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