

By: Williams

S.B. No. 908

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the crediting and charging of investment gains and
3 losses on the assets held in trust by the Texas Municipal Retirement
4 System and providing a guaranteed minimum credit to employee
5 accounts.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. Section 855.110, Government Code, is amended by
8 amending Subsection (a) and adding Subsection (d) to read as
9 follows:

10 (a) The board of trustees shall adopt rates and tables that
11 the board considers necessary for the retirement system after
12 considering the results of the actuary's investigation of the
13 mortality and service experience of the system's members and
14 annuitants. In adopting rates and tables, the board of trustees
15 shall adopt a discount rate that is not less than five percent in
16 developing an annuity purchase rate.

17 (d) In this section:

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

23 (2) "Discount rate" means the interest rate used in
24 determining the present value of future cash flows.

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

3 (a) The board of trustees shall certify all current service
4 contribution rates and [7] all prior service contribution rates [7
5 ~~and the current interest rate computed in accordance with Section~~
6 ~~855.316(c) and approved in writing by the actuary~~].

7 SECTION 3. Section 855.205(d), Government Code, is amended
8 to read as follows:

9 (d) On the basis of rates and tables adopted by the board,
10 the actuary shall:

11 (1) annually compute the normal contribution rate for
12 each participating municipality;

13 (2) annually compute the prior service contribution
14 rate for each participating municipality;

15 (3) [~~compute the current interest rate in accordance~~
16 ~~with Section 855.316(b)~~];

17 [~~(4)~~] compute the supplemental death benefits rate and
18 the supplemental disability benefits rate for each participating
19 municipality; and

20 (4) [(5)] (4) make an annual valuation of the assets and
21 liabilities of the funds of the retirement system.

22 SECTION 4. Section 855.307(a), Government Code, is amended
23 to read as follows:

24 (a) The retirement system shall credit or charge to [~~deposit~~
25 ~~in~~] the account of a participating municipality in the municipality
26 accumulation fund:

27 (1) all current service contributions made by the

1 municipality to the retirement system;

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

5 (3) the withdrawal charge for reinstatement of
6 credited service as provided by Section 853.003.

7 SECTION 5. Section 855.308(a), Government Code, is amended
8 to read as follows:

9 (a) In addition to amounts credited or charged [~~deposited~~]
10 as provided by Section 855.307, the retirement system shall credit
11 to [~~deposit in~~] the account of a participating municipality in the
12 municipality accumulation fund all prior service contributions
13 made by the municipality to the retirement system.

14 SECTION 6. Section 855.310, Government Code, is amended to
15 read as follows:

16 Sec. 855.310. INTEREST FUND. (a) The amount in the
17 interest fund must accurately reflect the determination and
18 allocation of net investment income or loss [~~The retirement system~~
19 ~~shall deposit in the interest fund all income, interest, and~~
20 ~~dividends from deposits and investments authorized by this chapter.~~
21 ~~The system shall credit the amount of an adjustment made in~~
22 ~~accordance with Section 855.320 to the interest fund~~].

23 (b) The retirement system shall determine net investment
24 income or loss annually as of December 31 in accordance with
25 generally accepted accounting principles and shall allocate that
26 amount each year [~~On December 31 of each year, the retirement system~~
27 ~~shall transfer money from the interest fund~~] in accordance with

1 Section 855.317.

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

4 (c) The retirement system shall credit or charge to the
5 interest reserve account, general reserves account, and
6 distributive benefits account amounts allocated [~~interest~~] in
7 accordance with Section 855.317.

8 (e) If the board of trustees determines that the amount
9 credited to the distributive benefits account on December 31 of any
10 year is sufficient to do so, the board by resolution may:

11 (1) authorize the distribution and payment of all or
12 part of the money credited to the account to persons who were
13 annuitants on that day in the ratio of the rate of the monthly
14 benefit of each annuitant to the total of all annuity payments made
15 by the system for the final month of the year; or

16 (2) authorize the distribution of all or part of the
17 amount credited to the account to[+]

18 [~~(A)~~] each member's individual account in the
19 employees saving fund as supplemental interest in the ratio of the
20 amount of [~~current~~] interest paid on the individual's account to
21 the [~~current~~] interest paid to all individual accounts for the
22 year[~~, and~~

23 [~~(B) each participating municipality's account~~
24 ~~in the municipality accumulation fund as supplemental interest in~~
25 ~~the ratio of the current interest allowed on the account of the~~
26 ~~municipality to the total current interest paid to all~~
27 ~~municipalities' accounts for the year].~~

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

3 (b) The board of trustees by resolution recorded in its
4 minutes shall transfer from the interest reserve account of the
5 endowment fund to the expense fund the amount that exceeds the
6 amount needed to provide adequate reserves as provided by Section
7 855.317 [~~against insufficient earnings on investments and against~~
8 ~~special and contingency requirements of other funds of the system~~]
9 and that is needed to pay the system's estimated expenses for the
10 fiscal year.

11 SECTION 9. Section 855.316, Government Code, is amended to
12 read as follows:

13 Sec. 855.316. INTEREST RATES. [~~(a)~~] Unless this subtitle
14 expressly specifies [~~states that interest is computed using the~~
15 ~~current interest rate or~~] another [~~specified~~] rate of interest, for
16 periods after December 31, 2008, the rate of interest is five
17 percent compounded annually, plus any other amounts the board of
18 trustees is expressly authorized to provide. Notwithstanding any
19 other provision in this chapter, the interest credited to the
20 employees saving fund in a calendar year may not be less than five
21 percent as allocated under Section 855.317(a) [~~computed using the~~
22 ~~rate of.~~

23 [~~(1) 2-1/2 percent a year compounded annually for~~
24 ~~periods before January 1, 1970,~~

25 [~~(2) 3 percent a year compounded annually for periods~~
26 ~~after December 31, 1969, and before January 1, 1977,~~

27 [~~(3) 4 percent a year compounded annually for periods~~

1 ~~after December 31, 1976, and before January 1, 1982; and~~

2 ~~[(4) 5 percent a year compounded annually for periods~~
3 ~~after December 31, 1981].~~

4 ~~[(b) The current interest rate is the lesser of:~~

5 ~~[(1) the interest rate prescribed by Subsection (a);~~

6 ~~or~~

7 ~~[(2) the interest rate computed by:~~

8 ~~[(A) adding to the amount in the municipality~~
9 ~~accumulation fund on January 1 of the year for which the computation~~
10 ~~is made the sum of the accumulated contributions in the employees~~
11 ~~saving fund on January 1 of the year of all persons who are members~~
12 ~~on December 31 of the year, before any transfers for retirements~~
13 ~~effective December 31 of the year are made, and the amount in the~~
14 ~~endowment fund, after transfer of money to the expense fund, on~~
15 ~~January 1 of the year; and~~

16 ~~[(B) dividing the amount in the interest fund on~~
17 ~~December 31 of that year after the transfer of interest to the~~
18 ~~current service annuity reserve fund, municipality accumulation~~
19 ~~fund, supplemental disability benefits fund, and supplemental~~
20 ~~death benefits fund, by the amount computed under Paragraph (A).]~~

21 SECTION 10. The heading to Section 855.317, Government
22 Code, is amended to read as follows:

23 Sec. 855.317. ANNUAL ALLOCATION OF NET INVESTMENT INCOME OR
24 LOSS [TRANSFER OF ASSETS] FROM INTEREST FUND.

25 SECTION 11. Sections 855.317(a) and (b), Government Code,
26 are amended to read as follows:

27 (a) Effective as of ~~[On]~~ December 31 of each year, the board

1 of trustees shall make the following allocations from the interest
2 fund that in the aggregate equal the net investment income or loss
3 for the year [~~transfer from the interest fund the following~~
4 ~~amounts~~]:

5 (1) to the current service annuity reserve fund,
6 interest on the mean amount in the current service annuity reserve
7 fund during that year;

8 (2) to the supplemental disability benefits fund,
9 interest on the mean amount in the supplemental disability benefits
10 fund during that year;

11 (3) to the supplemental death benefits fund, interest
12 on the mean amount in the supplemental death benefits fund during
13 that year;

14 (4) to the accounts in the municipality accumulation
15 fund, an amount derived by applying a positive or negative rate, as
16 determined by the board of trustees in its sole discretion to the
17 January 1 balances of that year for each of those accounts [~~current~~
18 ~~interest on the amount in the municipality accumulation fund on~~
19 ~~January 1 of that year~~];

20 (5) to the interest reserve account of the endowment
21 fund, a positive or negative amount as determined by the board of
22 trustees in its sole discretion [~~current interest on the amount in~~
23 ~~the endowment fund on January 1 of that year~~]; and

24 (6) to the employees saving fund, [~~current~~] interest
25 on the sum of the accumulated contributions in the employees saving
26 fund credited on January 1 of that year to all persons who are
27 members on December 31 of that year before any transfers for

1 retirement effective December 31 of that year are made.

2 (b) In making allocations under this section, the board of
3 trustees shall, without regard to the amount of net investment
4 income or loss for the calendar year, first allocate interest as
5 specified in Section 855.316 to those funds or accounts referenced
6 in Subsections (a)(1), (2), (3), and (6). The board shall then
7 allocate the remaining net investment income or loss between the
8 funds or accounts referenced in Subsections (a)(4) and (5) in rates
9 or amounts determined by the board in its sole discretion. The
10 board of trustees shall accumulate the amount of assets in
11 ~~[transfer to]~~ the interest reserve account of the endowment fund
12 ~~[the portion of the amount remaining in the interest fund after the~~
13 ~~transfers required by Subsection (a) are made]~~ that the board in its
14 sole discretion determines is necessary:

15 (1) to provide adequate reserves to:

16 (A) mitigate the effects of future investment
17 return volatility and ~~[against]~~ insufficient net investment
18 income; and

19 (B) provide reasonable rate stabilization for
20 participating municipalities ~~[future earnings on investments to~~
21 ~~allow interest on the retirement system's funds];~~

22 (2) to provide adequate reserves against special and
23 contingency requirements of other funds of the system; and

24 (3) to provide the amount required for the
25 administration expenses of the system for the following year.

26 SECTION 12. Section 855.320, Government Code, is repealed.

27 SECTION 13. This Act takes effect immediately if it

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1 receives a vote of two-thirds of all the members elected to each
2 house, as provided by Section 39, Article III, Texas Constitution.
3 If this Act does not receive the vote necessary for immediate
4 effect, this Act takes effect September 1, 2009.