

1-1 By: Williams S.B. No. 908
1-2 (In the Senate - Filed February 17, 2009; March 9, 2009,
1-3 read first time and referred to Committee on State Affairs;
1-4 April 14, 2009, reported favorably by the following vote: Yeas 6,
1-5 Nays 0; April 14, 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 postretirement 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. Subsection (a), Section 855.111, Government
1-32 Code, is amended to read as follows:

1-33 (a) The board of trustees shall certify all current service
1-34 contribution rates and ~~all~~ prior service contribution rates ~~and~~
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. Subsection (d), Section 855.205, Government
1-38 Code, is amended 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. Subsection (a), Section 855.307, Government
1-53 Code, is amended 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. Subsection (a), Section 855.308, Government

2-1 Code, is amended 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 ~~[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. Subsections (c) and (e), Section 855.311,
2-23 Government Code, 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. Subsection (b), Section 855.312, Government
2-49 Code, is amended 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. Subsections (a) and (b), Section 855.317,
3-31 Government Code, 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.

4-22

* * * * *