

## **BILL ANALYSIS**

S.B. 350  
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Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Under the current structure of the Texas Municipal Retirement System (TMRS), certain assets are credited to three distinct accounts or funds: the municipality accumulation fund (MAF), the employees saving fund (ESF), and the current service annuity reserve fund (CSARF). The MAF is credited with city contributions and interest. The ESF is credited with member contributions and interest. When a member retires, the accumulated contributions and interest in the member's account transfer from the ESF, along with matching funds from the city's MAF, into the CSARF. The basic current service retirement benefit is paid monthly to the retiree from the CSARF.

S.B. 350 seeks to combine all three of these individual trust fund accounts and consolidate them as a single trust fund account called the benefit accumulation fund.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

S.B. 350 amends the Government Code to define "individual account," for purposes of statutory provisions governing the Texas Municipal Retirement System (TMRS), as an individual account for a member in the benefit accumulation fund. The bill redefines "accumulated contributions" to mean the sum of all the contributions made by a member and credited to the member's individual account, plus interest allowed on the account, and "member" to mean a person for whom an individual account has been established in TMRS and whose membership has not been terminated.

S.B. 350 removes the employees saving fund, municipality accumulation fund, and current service annuity reserve fund from the list of funds to which TMRS assets are required to be credited and consolidates those former fund obligations into the benefit accumulation fund in the bill's restructuring of TMRS's fund obligations and accounts. The bill replaces references to each of the three former funds with references to the benefit accumulation fund where applicable throughout the statutes.

S.B. 350 requires TMRS, when a person who has military service credit in TMRS retires and has paid for military service credit under former law, to compute an amount equal to the sum of any accumulated amount paid by the person for the military service credit under former law, plus an equal amount multiplied by the municipality's current service matching percent in effect on the date the member applied for the military service credit.

S.B. 350 requires TMRS to establish in a participating municipality's account in the benefit accumulation fund an individual account for each person who is a member of TMRS through employment in that municipality.

S.B. 350 requires TMRS, if a retiree resumes employment under provisions governing the return of a disability retiree to active service or employment, to reestablish an individual account for the member in the participating municipality's account in the benefit accumulation fund and to credit to that account the portion of the balance of the person's retirement reserve that is attributable to the person's prior accumulated contributions.

S.B. 350 establishes that the annuities arising from current service credits that are payable from the benefit accumulation fund are liabilities and obligations of the participating municipality for which the service was performed on which the annuities are based and are payable from the municipality's account in the benefit accumulation fund.

S.B. 350 establishes that the annuities arising from prior service credits that are payable from the benefit accumulation fund are liabilities and obligations of the participating municipality for which the service was performed, or granted as the result of reinstated service previously canceled, on which the annuities are based and are payable from the municipality's account in the benefit accumulation fund.

S.B. 350 requires TMRS's board of trustees, effective as of December 31 of each year, to credit interest on the accumulated contributions in a member's individual account as of January 1 of that year.

S.B. 350 requires TMRS to transfer the assets and liabilities of each participating municipality's members' individual accounts in the employees saving fund to the appropriate municipality's accounts in the benefit accumulation fund and dissolve the employees saving fund and to transfer the assets and, if appropriate, liabilities of the current service annuity reserve fund to the interest reserve account in the endowment fund and the benefit accumulation fund, as determined by the board of trustees in consultation with the actuary, and dissolve the current service annuity reserve fund. The bill renames the municipality accumulation fund as the benefit accumulation fund and requires TMRS to transfer the assets and liabilities of the employees saving fund and the current service annuity reserve fund to the benefit accumulation fund as of the bill's effective date. The bill requires TMRS, in implementing provisions governing TMRS as amended by the bill, including without limitation crediting interest and conducting the actuarial valuation, to make all necessary computations based on an accounting record adjusted to reflect the transfers of assets and liabilities required by the bill's provisions as though the transfers had taken place on December 31, 2010.

S.B. 350 makes conforming and nonsubstantive changes.

S.B. 350 repeals the following sections of the Government Code:

- Section 855.309
- Section 855.318
- Sections 855.501(c) and (d)

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2011.