

By: Williams

S.B. No. 350

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to the restructuring of fund obligations and accounts of  
3 the Texas Municipal Retirement System and related actuarial and  
4 accounting procedures.

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

6 SECTION 1. Section 851.001, Government Code, is amended by  
7 amending Subdivisions (1) and (16) and adding Subdivision (20) to  
8 read as follows:

9 (1) "Accumulated contributions" means the sum of all  
10 contributions made by a member and credited to the member's  
11 individual account [~~in the employees saving fund~~], plus interest  
12 allowed on the account as provided by this subtitle.

13 (16) "Member" means a person for whom an individual  
14 account has been established in the retirement system [~~employees~~  
15 ~~saving fund~~] and whose membership has not terminated under Section  
16 852.104.

17 (20) "Individual account" means an individual account  
18 for a member in the benefit accumulation fund, as established under  
19 Section 855.306(a).

20 SECTION 2. Subsection (a), Section 852.103, Government  
21 Code, is amended to read as follows:

22 (a) A living person who is not an employee of a  
23 participating department and who has not retired may, after  
24 application, withdraw all of the accumulated contributions

1 credited to the person's individual account [~~in the employees~~  
2 ~~saving fund~~], and the retirement system shall close the account.

3 SECTION 3. Subsection (b), Section 852.105, Government  
4 Code, is amended to read as follows:

5 (b) A governing body may not adopt an ordinance under this  
6 section unless the actuary first determines, on the basis of  
7 mortality and other tables adopted by the board of trustees, that  
8 all obligations of the municipality to the benefit [~~municipality~~]  
9 accumulation fund, including obligations proposed under the  
10 ordinance, can be funded by the municipality within its maximum  
11 contribution rate and within its amortization period.

12 SECTION 4. Subsection (d), Section 852.108, Government  
13 Code, is amended to read as follows:

14 (d) Member contributions under Section 855.402 shall be  
15 made on all compensation paid to the employee by the reemploying  
16 municipality at the same rate as is required of other employees of  
17 the department. The retirement system shall credit [~~deposit~~]  
18 contributions on receipt to the member's [~~in an~~] individual account  
19 [~~for the member in the employees saving fund~~] and shall credit the  
20 account with interest annually at the same rate and manner as the  
21 accounts of other members are credited. The compensation paid to  
22 the employee by the reemploying municipality shall be included in  
23 computing the monthly contributions the municipality makes to the  
24 benefit [~~municipality~~] accumulation fund.

25 SECTION 5. Subsections (b) and (d), Section 852.109,  
26 Government Code, are amended to read as follows:

27 (b) Member contributions under Section 855.402 shall be

1 made on all compensation paid to the employee by the municipality at  
2 the same rate as is required of other employees of the department.  
3 The retirement system shall credit [~~deposit~~] the contributions on  
4 receipt to the member's [~~in an~~] individual account [~~for the member~~  
5 ~~in the employees saving fund~~] and shall credit the account with  
6 interest at the same rate and in the same manner as the accounts of  
7 other members are credited. The compensation paid to the employee  
8 by the municipality shall be included in computing the monthly  
9 contributions the municipality makes to the benefit [~~municipality~~]  
10 accumulation fund.

11 (d) The additional service retirement benefit allowable to  
12 a person to whom this section applies is, at the option of that  
13 person, either:

14 (1) a refund of accumulated contributions made since  
15 reemployment plus any accrued interest on the accumulated  
16 contributions allowed by the retirement system; or

17 (2) a benefit consisting of:

18 (A) a basic annuity actuarially determined from  
19 the sum of the member's contributions [~~deposits~~] made and  
20 accumulated since the date the person last became a member together  
21 with interest accrued [~~accumulated~~] on that amount since the person  
22 last became a member and an amount from the benefit [~~municipality~~]  
23 accumulation fund equal to the amount of the member's contributions  
24 [~~deposits~~] credited to the member's individual account since the  
25 person last became a member together with interest accrued  
26 [~~accumulated~~] on that amount since the person last became a member;  
27 or

1 (B) a greater amount authorized by the  
2 municipality under Section 855.501.

3 SECTION 6. Subsection (e), Section 853.003, Government  
4 Code, is amended to read as follows:

5 (e) A governing body may not adopt an ordinance under  
6 Subsection (a) unless the actuary first determines that all  
7 obligations charged against the municipality's account in the  
8 benefit [~~municipality~~] accumulation fund, including the  
9 obligations proposed in the ordinance, can be funded by the  
10 municipality within its maximum contribution rate and within its  
11 amortization period.

12 SECTION 7. Subsection (c), Section 853.402, Government  
13 Code, is amended to read as follows:

14 (c) The base updated service credit of a member is an amount  
15 computed as the number 1.03, times the difference by which the  
16 amount computed under Subdivision (1) exceeds the amount computed  
17 under Subdivision (2), where:

18 (1) "(1)" is an amount equal to the accumulation at  
19 three percent interest of a series of monthly amounts for the number  
20 of months of credited service on the date prescribed by Subsection  
21 (e), each amount of which equals the member's average updated  
22 service compensation, times the sum of:

23 (A) the rate of contributions required of the  
24 member for current service; plus

25 (B) the member's contribution rate, times the  
26 municipal current service ratio in effect on the effective date of  
27 the ordinance adopted under Section 853.401; and where

1           (2) "(2)" is an amount equal to the sum of:

2           (A) the amount credited to the member's  
3 individual account [~~in the employees saving fund~~] on the date  
4 prescribed by Subsection (e), subject to a 1 to 1 matching ratio,  
5 times 2; plus

6           (B) the amount credited to the member's  
7 individual account, subject to a 1.5 to 1 matching ratio, times 2.5;  
8 plus

9           (C) the amount credited to the member's  
10 individual account, subject to a 2 to 1 matching ratio, times 3.

11         SECTION 8. Subsection (a), Section 853.403, Government  
12 Code, is amended to read as follows:

13         (a) An ordinance adopted under Section 853.401 may not take  
14 effect unless the board of trustees approves the ordinance as  
15 meeting the requirements of this section. The board may not approve  
16 an ordinance unless the actuary first determines, and the board  
17 concurs in the determination, that all obligations charged against  
18 the municipality's account in the benefit [~~municipality~~]  
19 accumulation fund, including obligations proposed in the  
20 ordinance, can be funded by the municipality within its maximum  
21 total contribution rate and within its amortization period as in  
22 effect on the date the updated service credits take effect.

23         SECTION 9. Subsection (d), Section 853.404, Government  
24 Code, is amended to read as follows:

25         (d) Except as provided by Subsection (e), an ordinance under  
26 this section continues in effect for each year that the actuary  
27 determines that all obligations charged against the municipality's

1 account in the benefit [~~municipality~~] accumulation fund, including  
2 the obligations to become effective the next January 1, can be  
3 funded by the municipality within its maximum contribution rate and  
4 within its amortization period as in effect on the next January 1.  
5 An ordinance under this section will cease to be in effect for  
6 future years if the actuary cannot make that determination, but  
7 shall again take effect for future years beginning January 1 of the  
8 first year after the actuary can make that determination.

9 SECTION 10. Subsection (c), Section 853.505, Government  
10 Code, is amended to read as follows:

11 (c) When a person who has military service credit under  
12 Section 853.502 retires and has paid for military service credit  
13 under former law, the retirement system shall compute an amount  
14 equal to the sum of any [~~transfer to the current service annuity~~  
15 ~~reserve fund the~~] accumulated amount paid by the person for the  
16 military service credit under former law, plus [~~Section 853.504(b)~~  
17 ~~and~~] an equal amount multiplied by [~~from the municipality account~~  
18 ~~in the municipality accumulation fund equal to the accumulated~~  
19 ~~amount paid by the person times~~] the municipality's current service  
20 matching percent in effect on the date the member applied [~~applies~~]  
21 for the military service credit [~~under Section 853.504(b)~~]. The  
22 retirement system shall use the sum derived from that computation  
23 [~~amounts~~] to make annuity payments to the person that are computed  
24 in the same manner as is the person's current service annuity, but  
25 the military service credit and the sum [~~amounts~~] may not be used in  
26 other computations, including computations of updated service  
27 credits or prior service credits.

1 SECTION 11. Subsection (a), Section 853.601, Government  
2 Code, is amended to read as follows:

3 (a) The governing body of a participating municipality in  
4 ordinances authorizing updated service credits under Section  
5 853.401 on or after January 1, 1984, may provide that those members  
6 who are eligible for such credits on the basis of service with the  
7 granting municipality, who have unforfeited credit for prior  
8 service or current service with another participating municipality  
9 or municipalities by reason of previous employment, and who are  
10 contributing members on the date prescribed by Section 853.402(e),  
11 shall be credited in the retirement system with updated service  
12 credit calculated in the manner prescribed by Sections 853.401 and  
13 853.402, except that in determining the base updated service credit  
14 of the member under Section 853.402(c)(1), all unforfeited credited  
15 service performed by the member by reason of previous employment in  
16 other participating municipalities prior to the date prescribed by  
17 Section 853.402(e) shall be treated as if performed in the service  
18 of the municipality adopting the ordinance, and that amount shall  
19 be reduced by an amount equal to the sum of:

20 (1) 2 times the amount credited to the member's  
21 individual account [~~accounts in the employees saving fund~~] on the  
22 date prescribed in Section 853.402(e), which any participating  
23 municipality has undertaken to match on a 1 to 1 ratio; plus

24 (2) 2.5 times the amount credited to the member's  
25 individual account [~~accounts~~], subject to a 1.5 to 1 matching ratio  
26 by any participating municipality; plus

27 (3) 3 times the amount credited to the member's

1 individual account [~~accounts~~], subject to a 2 to 1 matching ratio by  
2 any participating municipality; and plus

3 (4) the sum of all updated service credits, prior  
4 service credits, special prior service credits, and antecedent  
5 service credits allowed to the member by any other participating  
6 municipality by which the member was previously employed and to  
7 which the member is entitled.

8 SECTION 12. Subsections (c) and (d), Section 854.002,  
9 Government Code, are amended to read as follows:

10 (c) A current service annuity is actuarially determined on  
11 the date of a member's retirement from the sum of:

12 (1) the amount credited to the member's individual  
13 account [~~in the employees saving fund~~]; and

14 (2) an additional [~~the~~] amount from the benefit  
15 [~~municipality~~] accumulation fund equal to the amount in the  
16 member's individual account or a greater amount authorized by a  
17 participating municipality under Section 855.501.

18 (d) Notwithstanding any other provision of this subtitle,  
19 instead of an annuity, a person will receive from the retirement  
20 system a single payment equal to the sum of the following if on the  
21 date of that person's retirement that sum is \$10,000 or less:

22 (1) any updated service credit or any prior service,  
23 special prior service, or antecedent service credit for that person  
24 on the date of retirement, plus accumulated interest;

25 (2) the amount credited to the person's individual  
26 account [~~in the employees saving fund~~]; and

27 (3) an additional [~~the~~] amount from the benefit



1 ~~[municipality]~~ accumulation fund equal to the amount in the  
2 member's individual account or a greater amount authorized by a  
3 participating municipality under Section 855.501.

4 SECTION 13. Subsection (b), Section 854.008, Government  
5 Code, is amended to read as follows:

6 (b) The amount of a lump-sum distribution under this section  
7 may not exceed three-fourths of the total contributions and  
8 accumulated interest in the member's individual account [~~in the~~  
9 ~~employees saving fund~~] at the time of the member's retirement.

10 SECTION 14. Subsection (c), Section 854.201, Government  
11 Code, is amended to read as follows:

12 (c) A governing body may not adopt an ordinance under this  
13 section unless the actuary first determines that all obligations  
14 charged against the municipality's account in the benefit  
15 ~~[municipality]~~ accumulation fund, including the obligations  
16 proposed in the ordinance, can be funded by the municipality within  
17 its maximum contribution rate and within its amortization period.

18 SECTION 15. Subsection (d), Section 854.202, Government  
19 Code, is amended to read as follows:

20 (d) An ordinance adopted under this section must also  
21 include the provisions specified in Section 852.105. A governing  
22 body may not adopt an ordinance under this section unless the  
23 actuary first determines, on the basis of mortality and other  
24 tables adopted by the board of trustees, that all obligations of the  
25 municipality to the benefit ~~[municipality]~~ accumulation fund,  
26 including obligations proposed under the ordinance, can be funded  
27 by the municipality within its maximum contribution rate and within

1 its amortization period.

2 SECTION 16. Subsections (f) and (g), Section 854.203,  
3 Government Code, are amended to read as follows:

4 (f) The amount by which an increase under this section  
5 exceeds all previously granted increases to an annuitant is payable  
6 as a prior service annuity, is an obligation of the municipality's  
7 account in the benefit [~~municipality~~] accumulation fund, and is  
8 subject to reduction under Section 855.308(f).

9 (g) An ordinance under this section may not take effect  
10 until it is approved by the board of trustees as meeting the  
11 requirements of this section. The board may not approve an  
12 ordinance unless the actuary first determines that all obligations  
13 charged against the municipality's account in the benefit  
14 [~~municipality~~] accumulation fund, including the obligations  
15 proposed in the ordinance, can be funded by the municipality within  
16 its maximum contribution rate and within its amortization period as  
17 in effect on the effective date of the increases.

18 SECTION 17. Subsections (a) and (c), Section 854.309,  
19 Government Code, are amended to read as follows:

20 (a) Except as provided by Subsection (b), if a disability  
21 retirement annuity is discontinued under Section 854.307 or the  
22 right to an annuity revoked under Section 854.306(b) [~~854.306(c)~~],  
23 the retiree is entitled to a lump-sum payment in an amount, if any,  
24 by which the amount in the retiree's individual account [~~in the~~  
25 ~~employees saving fund~~] at the time of disability retirement exceeds  
26 the amount of current service annuity payments made before the date  
27 the annuity was discontinued or the right to an annuity revoked.

1 (c) The benefit provided by this section is payable from the  
2 benefit accumulation [~~current service annuity reserve~~] fund.

3 SECTION 18. Subsection (b), Section 854.405, Government  
4 Code, is amended to read as follows:

5 (b) A governing body may not adopt an ordinance under this  
6 section unless the actuary first determines, on the basis of  
7 mortality and other tables adopted by the board of trustees, that  
8 all obligations of the municipality to the benefit [~~municipality~~]  
9 accumulation fund, including obligations proposed under the  
10 ordinance, can be funded by the municipality within its maximum  
11 contribution rate and within its amortization period.

12 SECTION 19. Subsection (a), Section 854.501, Government  
13 Code, is amended to read as follows:

14 (a) Except as provided by Subsection (c), if a member dies  
15 before retirement, a lump-sum death benefit is payable from the  
16 benefit accumulation [~~employees saving~~] fund in the amount of:

17 (1) the amount credited to the member's individual  
18 account [~~in the fund~~]; plus

19 (2) interest computed from the beginning of the year  
20 in which death occurs through the end of the month immediately  
21 preceding the month in which death occurs at the rate allowed on  
22 member contributions during the preceding year.

23 SECTION 20. Section 854.502, Government Code, is amended to  
24 read as follows:

25 Sec. 854.502. REFUND OF UNRECOVERED CONTRIBUTIONS. (a) If  
26 monthly payments of any standard service retirement annuity under  
27 Section 854.103, optional service retirement annuity under Section

1 854.104, standard disability retirement annuity under Section  
2 854.304, optional disability retirement annuity under Section  
3 854.305, standard occupational disability retirement annuity under  
4 Section 854.408, or optional occupational disability retirement  
5 annuity under Section 854.410 cease before the sum of all payments  
6 of the annuity equals or exceeds the amount of accumulated  
7 contributions credited to [~~in~~] the member's individual account [~~in~~  
8 ~~the employees saving fund~~] at the time of retirement of the member  
9 on whose service the annuity was based, a lump-sum benefit equal to  
10 the amount by which the amount of the accumulated contributions  
11 exceeds the sum of all payments made by reason of the annuity is  
12 payable:

13 (1) to the designated beneficiary, if living, or if  
14 not living, to the estate of the designated beneficiary, if the  
15 designated beneficiary survived the retiree; or

16 (2) to the estate of the retiree, if the designated  
17 beneficiary predeceased the retiree.

18 (b) The benefit provided by this section is payable from the  
19 benefit [~~current service annuity reserve fund and the municipality~~]  
20 accumulation fund [~~in the ratio that the part of the annuity that~~  
21 ~~was payable from each of those funds bears to the entire benefit~~  
22 ~~determined on the effective date of retirement~~].

23 SECTION 21. Subsection (c), Section 855.305, Government  
24 Code, is amended to read as follows:

25 (c) All assets of the retirement system shall be credited,  
26 according to the purpose for which they are held, to one of the  
27 following funds:

- 1           (1) benefit [~~employees saving fund,~~
- 2           [~~(2) municipality~~] accumulation fund;
- 3           [~~(3) current service annuity reserve fund,~~]
- 4           (2) [~~(4)~~] interest fund;
- 5           (3) [~~(5)~~] endowment fund;
- 6           (4) [~~(6)~~] expense fund;
- 7           (5) [~~(7)~~] supplemental disability benefits fund; or
- 8           (6) [~~(8)~~] supplemental death benefits fund.

9           SECTION 22. The heading to Section 855.306, Government  
10 Code, is amended to read as follows:

11           Sec. 855.306. MEMBER'S INDIVIDUAL ACCOUNT [~~EMPLOYEES~~  
12 ~~SAVING FUND~~].

13           SECTION 23. Section 855.306, Government Code, is amended by  
14 amending Subsection (a) and adding Subsection (d) to read as  
15 follows:

16           (a) The retirement system shall establish in the  
17 participating municipality's account in the benefit accumulation  
18 fund an individual account for each person who is a member of the  
19 system through employment in that municipality. The retirement  
20 system shall credit to [~~deposit in~~] a member's individual account  
21 [~~in the employees saving fund~~]:

22           (1) the amount of contributions to the retirement  
23 system deducted from the member's compensation;

24           (2) interest allowed on amounts credited to [~~money in~~]  
25 the account in accordance with this subtitle; and

26           (3) the portion of a deposit required by Section  
27 853.003 to reinstate credited service previously canceled that

1 represents the amount withdrawn.

2 (d) If a retiree resumes employment under Section 854.308,  
3 the retirement system shall reestablish an individual account for  
4 the member in the participating municipality's account in the  
5 benefit accumulation fund and credit to that account the portion of  
6 the balance of the person's retirement reserve that is attributable  
7 to the person's prior accumulated contributions.

8 SECTION 24. Section 855.307, Government Code, is amended to  
9 read as follows:

10 Sec. 855.307. BENEFIT ~~[MUNICIPALITY]~~ ACCUMULATION FUND:  
11 CURRENT SERVICE. (a) The retirement system shall credit or charge  
12 to the account of a participating municipality in the benefit  
13 ~~[municipality]~~ accumulation fund:

14 (1) all current service contributions made by the  
15 municipality to the retirement system;

16 (2) net investment income or loss allocated to the  
17 fund under Section 855.317; and

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

20 (b) The retirement system shall pay from the account of a  
21 participating municipality in the benefit ~~[municipality]~~  
22 accumulation fund:

23 (1) all payments under annuities arising from current  
24 service credits ~~[money to the current service annuity reserve fund~~  
25 ~~in accordance with Section 855.318]~~; and

26 (2) refunds to certain municipalities in accordance  
27 with Section 855.319.

1 (c) If credited service previously canceled is reinstated  
2 in accordance with Section 853.003, the retirement system shall  
3 charge the municipality's account in the benefit [~~municipality~~]  
4 accumulation fund with the necessary reserves to fund the credits  
5 based on current service that are restored to the member.

6 (d) The annuities payable as provided by this section are  
7 liabilities and obligations of the participating municipality for  
8 which the service was performed on which the annuities are based and  
9 are payable from the municipality's account in the benefit  
10 accumulation fund.

11 SECTION 25. The heading to Section 855.308, Government  
12 Code, is amended to read as follows:

13 Sec. 855.308. BENEFIT [~~MUNICIPALITY~~] ACCUMULATION FUND:  
14 PRIOR SERVICE.

15 SECTION 26. Section 855.308, Government Code, is amended by  
16 amending Subsections (a), (b), (d), and (f) and adding Subsection  
17 (g) to read as follows:

18 (a) In addition to amounts credited or charged as provided  
19 by Section 855.307, the retirement system shall credit to the  
20 account of a participating municipality in the benefit  
21 [~~municipality~~] accumulation fund all prior service contributions  
22 made by the municipality to the retirement system.

23 (b) In addition to amounts paid as provided by Section  
24 855.307, the retirement system shall pay from the account of a  
25 participating municipality in the benefit [~~municipality~~]  
26 accumulation fund:

27 (1) all payments under annuities arising from prior

1 service credits, special prior service credits, antecedent service  
2 credits, or updated service credits authorized by a participating  
3 municipality; and

4 (2) optional increased payments authorized by a  
5 participating municipality under Section 854.203.

6 (d) If credited service previously canceled is reinstated  
7 in accordance with Section 853.003, the retirement system shall  
8 charge the municipality's account in the benefit [~~municipality~~]  
9 accumulation fund with the necessary reserves to fund credits based  
10 on prior service that are restored to the member.

11 (f) The board of trustees may proportionately reduce all  
12 payments under annuities payable under this section, at any time  
13 and for a period necessary, to prevent those payments for a year  
14 from exceeding the amount available in the participating  
15 municipality's account for prior service.

16 (g) The annuities payable as provided by this section are  
17 liabilities and obligations of the participating municipality for  
18 which the service was performed, or granted as the result of  
19 reinstated service previously canceled, on which the annuities are  
20 based and are payable from the municipality's account in the  
21 benefit accumulation fund.

22 SECTION 27. Subsection (e), Section 855.311, Government  
23 Code, is amended to read as follows:

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

27 (1) authorize the distribution and payment of all or



1 part of the money credited to the account to persons who were  
2 annuitants on that day in the ratio of the rate of the monthly  
3 benefit of each annuitant to the total of all annuity payments made  
4 by the system for the final month of the year; or

5 (2) authorize the distribution of all or part of the  
6 amount credited to the account to each member's individual account  
7 ~~[in the employees saving fund]~~ as supplemental interest in the  
8 ratio of the amount of interest paid on the individual's account to  
9 the interest paid to all individual accounts for the year.

10 SECTION 28. Subsection (d), Section 855.313, Government  
11 Code, is amended to read as follows:

12 (d) ~~[As soon as practicable after December 31, 1988, the  
13 actuary shall calculate the amount of reserves required to pay all  
14 annuities that are obligations of the supplemental disability  
15 benefits fund. If the board of trustees determines, on the basis of  
16 the calculations made by the actuary, that the money to the credit  
17 of the fund is materially in excess of the amount of reserves needed  
18 to assure payment of all annuities that are obligations of the fund,  
19 the board may direct that a portion of the excess shall be  
20 transferred from the supplemental disability benefits fund to the  
21 municipality accumulation fund and credited to the respective  
22 accounts of the participating municipalities in such proportions as  
23 the board of trustees determines to be the ratio of their respective  
24 contributions to the total of all contributions to the supplemental  
25 disability benefits fund.]~~ When all annuities payable from the  
26 supplemental disability benefits fund have been finally paid and  
27 discharged, the board of trustees shall direct that the money

1 remaining in the supplemental disability benefits fund shall be  
2 transferred and credited to the accounts of the respective  
3 participating municipalities in the benefit [~~municipality~~]  
4 accumulation fund in proportion to the same ratios of their  
5 contributions to the total of all contributions to the supplemental  
6 disability benefits fund.

7 SECTION 29. Section 855.316, Government Code, is amended to  
8 read as follows:

9 Sec. 855.316. INTEREST RATES AND CREDITING. (a) Unless  
10 this subtitle expressly specifies another rate of interest, for  
11 periods after December 31, 2008, the rate of interest is five  
12 percent compounded annually, plus any other amounts the board of  
13 trustees is expressly authorized to provide. Notwithstanding any  
14 other provision in this chapter, the interest credited to a  
15 member's individual account [~~the employees saving fund~~] in a  
16 calendar year may not be less than five percent [~~as allocated under~~  
17 ~~Section 855.317(a)~~].

18 (b) Effective as of December 31 of each year, the board of  
19 trustees shall credit interest on the accumulated contributions in  
20 a member's individual account as of January 1 of that year in  
21 accordance with Subsection (a) and Section 855.306.

22 SECTION 30. Subsections (a) and (b), Section 855.317,  
23 Government Code, are amended to read as follows:

24 (a) Effective as of December 31 of each year, the board of  
25 trustees shall make the following allocations from the interest  
26 fund that in the aggregate equal the net investment income or loss  
27 for the year:

1           (1) ~~[to the current service annuity reserve fund,~~  
2 ~~interest on the mean amount in the current service annuity reserve~~  
3 ~~fund during that year;~~

4           ~~[(2)]~~ to the supplemental disability benefits fund,  
5 interest on the mean amount in the supplemental disability benefits  
6 fund during that year;

7           (2) ~~[(3)]~~ to the supplemental death benefits fund,  
8 interest on the mean amount in the supplemental death benefits fund  
9 during that year;

10          (3) ~~[(4)]~~ to the accounts in the benefit  
11 ~~[municipality]~~ accumulation fund, an amount derived by applying a  
12 positive or negative rate, as determined by the board of trustees in  
13 its sole discretion to the January 1 balances of that year for each  
14 of those accounts; and

15          (4) ~~[(5)]~~ to the interest reserve account of the  
16 endowment fund, a positive or negative amount as determined by the  
17 board of trustees in its sole discretion~~], and~~

18          ~~[(6) to the employees saving fund, interest on the sum~~  
19 ~~of the accumulated contributions in the employees saving fund~~  
20 ~~credited on January 1 of that year to all persons who are members on~~  
21 ~~December 31 of that year before any transfers for retirement~~  
22 ~~effective December 31 of that year are made].~~

23          (b) In making allocations under this section, the board of  
24 trustees shall, without regard to the amount of net investment  
25 income or loss for the calendar year, first allocate interest as  
26 specified in Section 855.316(a) ~~[855.316]~~ to those funds or  
27 accounts referenced in Subsections (a)(1) and~~]~~ (2) of this

1 section~~[, (3), and (6)]~~. The board shall then allocate the  
2 remaining net investment income or loss between the funds or  
3 accounts referenced in Subsections (a)(3) and (4) of this section  
4 ~~[(a)(4) and (5)]~~ in rates or amounts determined by the board in its  
5 sole discretion. The board of trustees shall accumulate the amount  
6 of assets in the interest reserve account of the endowment fund that  
7 the board in its sole discretion determines is necessary:

8 (1) to provide adequate reserves to:

9 (A) mitigate the effects of future investment  
10 return volatility and insufficient net investment income; and

11 (B) provide reasonable rate stabilization for  
12 participating municipalities;

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

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

17 SECTION 31. Section 855.319, Government Code, is amended to  
18 read as follows:

19 Sec. 855.319. PAYMENT TO FORMERLY PARTICIPATING  
20 MUNICIPALITY. If a participating municipality has no employees who  
21 are members of the retirement system and has no present or potential  
22 liabilities resulting from the participation of former employees,  
23 the municipality's participation in the system stops and the system  
24 shall repay to the municipality on application any amount in the  
25 benefit ~~[municipality]~~ accumulation fund that is credited to the  
26 municipality.

27 SECTION 32. Subsection (g), Section 855.402, Government

1 Code, is amended to read as follows:

2 (g) After the deductions for member contributions are paid,  
3 the board of trustees shall:

4 (1) record all receipts; and

5 (2) deposit the receipts in the benefit accumulation  
6 fund and credit the appropriate amounts to the members' individual  
7 accounts [~~credit of the employees saving fund~~].

8 SECTION 33. Sections 855.405 and 855.406, Government Code,  
9 are amended to read as follows:

10 Sec. 855.405. MUNICIPALITY NORMAL CONTRIBUTION. Each  
11 participating municipality shall pay to the benefit [~~municipality~~]  
12 accumulation fund, as its normal contribution, an amount equal to a  
13 percentage of the compensation of members employed by the  
14 municipality for that month. The rate of contribution is the normal  
15 contribution rate determined annually by the actuary and approved  
16 by the board of trustees.

17 Sec. 855.406. MUNICIPALITY PRIOR SERVICE CONTRIBUTION.

18 (a) Each participating municipality shall pay to the benefit  
19 [~~municipality~~] accumulation fund, as its prior service  
20 contribution, an amount equal to a percentage of the compensation  
21 of members employed by the municipality for that month.

22 (b) The rate of contribution is the rate determined annually  
23 by the actuary and approved by the board of trustees as being the  
24 rate required to fund all obligations charged against the  
25 municipality's account in the benefit [~~municipality~~] accumulation  
26 fund within the municipality's amortization period without  
27 resulting in a probable future depletion of that account.

1 SECTION 34. Subsection (a), Section 855.4065, Government  
2 Code, is amended to read as follows:

3 (a) In addition to the contributions a participating  
4 municipality is required to make under this subtitle, the board of  
5 trustees, after consultation with the actuary, by rule may  
6 authorize a participating municipality to make lump-sum or periodic  
7 employer contributions to the retirement system to be deposited in  
8 the municipality's account in the benefit [~~municipality~~]  
9 accumulation fund.

10 SECTION 35. Subsections (d), (f), and (g), Section 855.407,  
11 Government Code, are amended to read as follows:

12 (d) If the dates of participation of each department of a  
13 municipality are not the same, the governing body of the  
14 municipality may request that, to determine the municipality normal  
15 contribution rate and prior service contribution rate and to  
16 determine the period during which the municipality must fund the  
17 obligations charged against its account in the benefit  
18 [~~municipality~~] accumulation fund, all of its departments have a  
19 single composite participation date. The actuary shall determine  
20 the composite participation date by computing an average weighted  
21 according to the number of members entering the retirement system  
22 on the actual dates of participation of the departments involved.

23 (f) The governing body of a municipality that is determined  
24 by the actuary to be unable to finance all obligations charged  
25 against its account in the benefit [~~municipality~~] accumulation fund  
26 within 25 years after its most recent actuarial valuation date may  
27 elect to have the municipality contribute to its account in the

1 benefit [~~municipality~~] accumulation fund at a rate that does not  
2 exceed in any year the sum of two percent and the maximum  
3 contribution rate specified by Subsection (a) and by Section  
4 855.501, if applicable, and that the actuary annually may determine  
5 as necessary to finance the existing levels of benefits before the  
6 expiration of 25 years after the most recent actuarial valuation  
7 date.

8 (g) A municipality that begins participation in the  
9 retirement system on or after December 31, 1999, and any  
10 municipality already participating in the retirement system on that  
11 date whose governing body elects to have the municipality do so  
12 shall contribute to its account in the benefit [~~municipality~~]  
13 accumulation fund at the combined rate of total compensation paid  
14 to its employees as the actuary determines is necessary to fund all  
15 obligations chargeable to its account in the fund within the  
16 municipality's amortization period, regardless of other provisions  
17 of this subtitle.

18 SECTION 36. Subsection (a), Section 855.410, Government  
19 Code, is amended to read as follows:

20 (a) A participating municipality that fails to remit before  
21 the 16th day of the month all contributions required by this  
22 subchapter to be made and remitted to the retirement system by that  
23 date shall pay to the retirement system, in addition to the  
24 contributions, interest on the past-due amounts at an annual rate  
25 that is the total of the system's investment return assumption  
26 [~~rates of interest credited by the retirement system to accounts in~~  
27 ~~the municipality accumulation fund~~] for the preceding calendar

1 year, plus two percent. The retirement system shall notify  
2 participating municipalities of the rate of interest that will be  
3 due on late payments.

4 SECTION 37. Subsection (b), Section 855.501, Government  
5 Code, is amended to read as follows:

6 (b) The governing body of a municipality electing to provide  
7 for increased reserves by ordinance shall provide that for each  
8 month of current service rendered by a participating employee of  
9 the municipality after the date of its election the municipality  
10 will provide a contribution [~~as provided by Subsection (c)~~] equal  
11 to 150 or 200 percent of the member's accumulated contribution to  
12 the retirement system for that month.

13 SECTION 38. Subsection (c), Section 855.608, Government  
14 Code, is amended to read as follows:

15 (c) Money for the payment of benefits to a participant under  
16 this section shall be paid to the separate fund created by this  
17 section from the contributions that otherwise would be deposited in  
18 the benefit [~~municipality~~] accumulation fund account of the  
19 municipality that employed the member. If the benefit is payable as  
20 a result of service with more than one participating municipality,  
21 there shall be paid from the contributions that otherwise would be  
22 deposited in the benefit [~~municipality~~] accumulation fund account  
23 of each affected municipality the amount chargeable to that  
24 municipality for the member. When feasible, the monthly amount to  
25 pay benefits under this section shall be paid not later than the  
26 15th day before the date of a monthly payment to a person receiving  
27 annuity benefits under this section.



1           SECTION 39. The following provisions of the Government Code  
2 are repealed:

- 3                   (1) Section 855.309;
- 4                   (2) Section 855.318; and
- 5                   (3) Subsections (c) and (d), Section 855.501.

6           SECTION 40. (a) The Texas Municipal Retirement System  
7 shall:

8                   (1) transfer the assets and liabilities of each  
9 participating municipality's members' individual accounts in the  
10 employees saving fund to the appropriate municipality's accounts in  
11 the benefit accumulation fund and dissolve the employees saving  
12 fund; and

13                   (2) transfer the assets and, if appropriate,  
14 liabilities of the current service annuity reserve fund to the  
15 interest reserve account in the endowment fund and the benefit  
16 accumulation fund, as determined by the board of trustees in  
17 consultation with the actuary, and dissolve the current service  
18 annuity reserve fund.

19           (b) For purposes of clarification, as of the effective date  
20 of this Act, the municipality accumulation fund is renamed the  
21 benefit accumulation fund, and the Texas Municipal Retirement  
22 System shall transfer the assets and liabilities of the employees  
23 saving fund and the current service annuity reserve fund to the  
24 benefit accumulation fund as described by Subsection (a) of this  
25 section.

26           (c) In implementing Subtitle G, Title 8, Government Code, as  
27 amended by this Act, including without limitation crediting

1 interest and conducting the actuarial valuation required by that  
2 subtitle, the Texas Municipal Retirement System shall make all  
3 necessary computations based on an accounting record adjusted to  
4 reflect the transfers of assets and liabilities required by  
5 Subsection (a) of this section as though the transfers had taken  
6 place on December 31, 2010.

7       SECTION 41. This Act takes effect immediately if it  
8 receives a vote of two-thirds of all the members elected to each  
9 house, as provided by Section 39, Article III, Texas Constitution.  
10 If this Act does not receive the vote necessary for immediate  
11 effect, this Act takes effect September 1, 2011.