

AN ACT

relating to the restructuring of fund obligations and accounts of the Texas Municipal Retirement System and related actuarial and accounting procedures.

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

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

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

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

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

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

(a) A living person who is not an employee of a participating department and who has not retired may, after 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.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 350 passed the Senate on March 17, 2011, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 350 passed the House on May 23, 2011, by the following vote: Yeas 143, Nays 0, two present not voting.

Chief Clerk of the House

Approved:

Date

Governor