

1-1 By: Williams S.B. No. 350  
1-2 (In the Senate - Filed January 13, 2011; February 2, 2011,  
1-3 read first time and referred to Committee on State Affairs;  
1-4 March 15, 2011, reported favorably by the following vote: Yeas 9,  
1-5 Nays 0; March 15, 2011, sent to printer.)

1-6 A BILL TO BE ENTITLED  
1-7 AN ACT

1-8 relating to the restructuring of fund obligations and accounts of  
1-9 the Texas Municipal Retirement System and related actuarial and  
1-10 accounting procedures.

1-11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-12 SECTION 1. Section 851.001, Government Code, is amended by  
1-13 amending Subdivisions (1) and (16) and adding Subdivision (20) to  
1-14 read as follows:

1-15 (1) "Accumulated contributions" means the sum of all  
1-16 contributions made by a member and credited to the member's  
1-17 individual account [~~in the employees saving fund~~], plus interest  
1-18 allowed on the account as provided by this subtitle.

1-19 (16) "Member" means a person for whom an individual  
1-20 account has been established in the retirement system [~~employees~~  
1-21 ~~saving fund~~] and whose membership has not terminated under Section  
1-22 852.104.

1-23 (20) "Individual account" means an individual account  
1-24 for a member in the benefit accumulation fund, as established under  
1-25 Section 855.306(a).

1-26 SECTION 2. Subsection (a), Section 852.103, Government  
1-27 Code, is amended to read as follows:

1-28 (a) A living person who is not an employee of a  
1-29 participating department and who has not retired may, after  
1-30 application, withdraw all of the accumulated contributions  
1-31 credited to the person's individual account [~~in the employees~~  
1-32 ~~saving fund~~], and the retirement system shall close the account.

1-33 SECTION 3. Subsection (b), Section 852.105, Government  
1-34 Code, is amended to read as follows:

1-35 (b) A governing body may not adopt an ordinance under this  
1-36 section unless the actuary first determines, on the basis of  
1-37 mortality and other tables adopted by the board of trustees, that  
1-38 all obligations of the municipality to the benefit [~~municipality~~]  
1-39 accumulation fund, including obligations proposed under the  
1-40 ordinance, can be funded by the municipality within its maximum  
1-41 contribution rate and within its amortization period.

1-42 SECTION 4. Subsection (d), Section 852.108, Government  
1-43 Code, is amended to read as follows:

1-44 (d) Member contributions under Section 855.402 shall be  
1-45 made on all compensation paid to the employee by the reemploying  
1-46 municipality at the same rate as is required of other employees of  
1-47 the department. The retirement system shall credit [~~deposit~~] the  
1-48 contributions on receipt to the member's [~~in an~~] individual account  
1-49 [~~for the member in the employees saving fund~~] and shall credit the  
1-50 account with interest annually at the same rate and manner as the  
1-51 accounts of other members are credited. The compensation paid to  
1-52 the employee by the reemploying municipality shall be included in  
1-53 computing the monthly contributions the municipality makes to the  
1-54 benefit [~~municipality~~] accumulation fund.

1-55 SECTION 5. Subsections (b) and (d), Section 852.109,  
1-56 Government Code, are amended to read as follows:

1-57 (b) Member contributions under Section 855.402 shall be  
1-58 made on all compensation paid to the employee by the municipality at  
1-59 the same rate as is required of other employees of the department.  
1-60 The retirement system shall credit [~~deposit~~] the contributions on  
1-61 receipt to the member's [~~in an~~] individual account [~~for the member~~  
1-62 ~~in the employees saving fund~~] and shall credit the account with  
1-63 interest at the same rate and in the same manner as the accounts of  
1-64 other members are credited. The compensation paid to the employee

2-1 by the municipality shall be included in computing the monthly  
 2-2 contributions the municipality makes to the benefit [municipality]  
 2-3 accumulation fund.

2-4 (d) The additional service retirement benefit allowable to  
 2-5 a person to whom this section applies is, at the option of that  
 2-6 person, either:

2-7 (1) a refund of accumulated contributions made since  
 2-8 reemployment plus any accrued interest on the accumulated  
 2-9 contributions allowed by the retirement system; or

2-10 (2) a benefit consisting of:

2-11 (A) a basic annuity actuarially determined from  
 2-12 the sum of the member's contributions [deposits] made and  
 2-13 accumulated since the date the person last became a member together  
 2-14 with interest accrued [accumulated] on that amount since the person  
 2-15 last became a member and an amount from the benefit [municipality]  
 2-16 accumulation fund equal to the amount of the member's contributions  
 2-17 [deposits] credited to the member's individual account since the  
 2-18 person last became a member together with interest accrued  
 2-19 [accumulated] on that amount since the person last became a member;  
 2-20 or

2-21 (B) a greater amount authorized by the  
 2-22 municipality under Section 855.501.

2-23 SECTION 6. Subsection (e), Section 853.003, Government  
 2-24 Code, is amended to read as follows:

2-25 (e) A governing body may not adopt an ordinance under  
 2-26 Subsection (a) unless the actuary first determines that all  
 2-27 obligations charged against the municipality's account in the  
 2-28 benefit [municipality] accumulation fund, including the  
 2-29 obligations proposed in the ordinance, can be funded by the  
 2-30 municipality within its maximum contribution rate and within its  
 2-31 amortization period.

2-32 SECTION 7. Subsection (c), Section 853.402, Government  
 2-33 Code, is amended to read as follows:

2-34 (c) The base updated service credit of a member is an amount  
 2-35 computed as the number 1.03, times the difference by which the  
 2-36 amount computed under Subdivision (1) exceeds the amount computed  
 2-37 under Subdivision (2), where:

2-38 (1) "(1)" is an amount equal to the accumulation at  
 2-39 three percent interest of a series of monthly amounts for the number  
 2-40 of months of credited service on the date prescribed by Subsection  
 2-41 (e), each amount of which equals the member's average updated  
 2-42 service compensation, times the sum of:

2-43 (A) the rate of contributions required of the  
 2-44 member for current service; plus

2-45 (B) the member's contribution rate, times the  
 2-46 municipal current service ratio in effect on the effective date of  
 2-47 the ordinance adopted under Section 853.401; and where

2-48 (2) "(2)" is an amount equal to the sum of:

2-49 (A) the amount credited to the member's  
 2-50 individual account [~~in the employees saving fund~~] on the date  
 2-51 prescribed by Subsection (e), subject to a 1 to 1 matching ratio,  
 2-52 times 2; plus

2-53 (B) the amount credited to the member's  
 2-54 individual account, subject to a 1.5 to 1 matching ratio, times 2.5;  
 2-55 plus

2-56 (C) the amount credited to the member's  
 2-57 individual account, subject to a 2 to 1 matching ratio, times 3.

2-58 SECTION 8. Subsection (a), Section 853.403, Government  
 2-59 Code, is amended to read as follows:

2-60 (a) An ordinance adopted under Section 853.401 may not take  
 2-61 effect unless the board of trustees approves the ordinance as  
 2-62 meeting the requirements of this section. The board may not approve  
 2-63 an ordinance unless the actuary first determines, and the board  
 2-64 concurs in the determination, that all obligations charged against  
 2-65 the municipality's account in the benefit [municipality]  
 2-66 accumulation fund, including obligations proposed in the  
 2-67 ordinance, can be funded by the municipality within its maximum  
 2-68 total contribution rate and within its amortization period as in  
 2-69 effect on the date the updated service credits take effect.

3-1 SECTION 9. Subsection (d), Section 853.404, Government  
3-2 Code, is amended to read as follows:

3-3 (d) Except as provided by Subsection (e), an ordinance under  
3-4 this section continues in effect for each year that the actuary  
3-5 determines that all obligations charged against the municipality's  
3-6 account in the benefit [municipality] accumulation fund, including  
3-7 the obligations to become effective the next January 1, can be  
3-8 funded by the municipality within its maximum contribution rate and  
3-9 within its amortization period as in effect on the next January 1.  
3-10 An ordinance under this section will cease to be in effect for  
3-11 future years if the actuary cannot make that determination, but  
3-12 shall again take effect for future years beginning January 1 of the  
3-13 first year after the actuary can make that determination.

3-14 SECTION 10. Subsection (c), Section 853.505, Government  
3-15 Code, is amended to read as follows:

3-16 (c) When a person who has military service credit under  
3-17 Section 853.502 retires and has paid for military service credit  
3-18 under former law, the retirement system shall compute an amount  
3-19 equal to the sum of any [transfer to the current service annuity  
3-20 reserve fund the] accumulated amount paid by the person for the  
3-21 military service credit under former law, plus [Section 853.504(b)  
3-22 and] an equal amount multiplied by [from the municipality account  
3-23 in the municipality accumulation fund equal to the accumulated  
3-24 amount paid by the person times] the municipality's current service  
3-25 matching percent in effect on the date the member applied [applies]  
3-26 for the military service credit [under Section 853.504(b)]. The  
3-27 retirement system shall use the sum derived from that computation  
3-28 [amounts] to make annuity payments to the person that are computed  
3-29 in the same manner as is the person's current service annuity, but  
3-30 the military service credit and the sum [amounts] may not be used in  
3-31 other computations, including computations of updated service  
3-32 credits or prior service credits.

3-33 SECTION 11. Subsection (a), Section 853.601, Government  
3-34 Code, is amended to read as follows:

3-35 (a) The governing body of a participating municipality in  
3-36 ordinances authorizing updated service credits under Section  
3-37 853.401 on or after January 1, 1984, may provide that those members  
3-38 who are eligible for such credits on the basis of service with the  
3-39 granting municipality, who have unforfeited credit for prior  
3-40 service or current service with another participating municipality  
3-41 or municipalities by reason of previous employment, and who are  
3-42 contributing members on the date prescribed by Section 853.402(e),  
3-43 shall be credited in the retirement system with updated service  
3-44 credit calculated in the manner prescribed by Sections 853.401 and  
3-45 853.402, except that in determining the base updated service credit  
3-46 of the member under Section 853.402(c)(1), all unforfeited credited  
3-47 service performed by the member by reason of previous employment in  
3-48 other participating municipalities prior to the date prescribed by  
3-49 Section 853.402(e), shall be treated as if performed in the service  
3-50 of the municipality adopting the ordinance, and that amount shall  
3-51 be reduced by an amount equal to the sum of:

3-52 (1) 2 times the amount credited to the member's  
3-53 individual account [accounts in the employees saving fund] on the  
3-54 date prescribed in Section 853.402(e), which any participating  
3-55 municipality has undertaken to match on a 1 to 1 ratio; plus

3-56 (2) 2.5 times the amount credited to the member's  
3-57 individual account [accounts], subject to a 1.5 to 1 matching ratio  
3-58 by any participating municipality; plus

3-59 (3) 3 times the amount credited to the member's  
3-60 individual account [accounts], subject to a 2 to 1 matching ratio by  
3-61 any participating municipality; and plus

3-62 (4) the sum of all updated service credits, prior  
3-63 service credits, special prior service credits, and antecedent  
3-64 service credits allowed to the member by any other participating  
3-65 municipality by which the member was previously employed and to  
3-66 which the member is entitled.

3-67 SECTION 12. Subsections (c) and (d), Section 854.002,  
3-68 Government Code, are amended to read as follows:

3-69 (c) A current service annuity is actuarially determined on

4-1 the date of a member's retirement from the sum of:

4-2 (1) the amount credited to the member's individual  
4-3 account [~~in the employees saving fund~~]; and

4-4 (2) an additional [~~the~~] amount from the benefit  
4-5 [~~municipality~~] accumulation fund equal to the amount in the  
4-6 member's individual account or a greater amount authorized by a  
4-7 participating municipality under Section 855.501.

4-8 (d) Notwithstanding any other provision of this subtitle,  
4-9 instead of an annuity, a person will receive from the retirement  
4-10 system a single payment equal to the sum of the following if on the  
4-11 date of that person's retirement that sum is \$10,000 or less:

4-12 (1) any updated service credit or any prior service,  
4-13 special prior service, or antecedent service credit for that person  
4-14 on the date of retirement, plus accumulated interest;

4-15 (2) the amount credited to the person's individual  
4-16 account [~~in the employees saving fund~~]; and

4-17 (3) an additional [~~the~~] amount from the benefit  
4-18 [~~municipality~~] accumulation fund equal to the amount in the  
4-19 member's individual account or a greater amount authorized by a  
4-20 participating municipality under Section 855.501.

4-21 SECTION 13. Subsection (b), Section 854.008, Government  
4-22 Code, is amended to read as follows:

4-23 (b) The amount of a lump-sum distribution under this section  
4-24 may not exceed three-fourths of the total contributions and  
4-25 accumulated interest in the member's individual account [~~in the~~  
4-26 ~~employees saving fund~~] at the time of the member's retirement.

4-27 SECTION 14. Subsection (c), Section 854.201, Government  
4-28 Code, is amended to read as follows:

4-29 (c) A governing body may not adopt an ordinance under this  
4-30 section unless the actuary first determines that all obligations  
4-31 charged against the municipality's account in the benefit  
4-32 [~~municipality~~] accumulation fund, including the obligations  
4-33 proposed in the ordinance, can be funded by the municipality within  
4-34 its maximum contribution rate and within its amortization period.

4-35 SECTION 15. Subsection (d), Section 854.202, Government  
4-36 Code, is amended to read as follows:

4-37 (d) An ordinance adopted under this section must also  
4-38 include the provisions specified in Section 852.105. A governing  
4-39 body may not adopt an ordinance under this section unless the  
4-40 actuary first determines, on the basis of mortality and other  
4-41 tables adopted by the board of trustees, that all obligations of the  
4-42 municipality to the benefit [~~municipality~~] accumulation fund,  
4-43 including obligations proposed under the ordinance, can be funded  
4-44 by the municipality within its maximum contribution rate and within  
4-45 its amortization period.

4-46 SECTION 16. Subsections (f) and (g), Section 854.203,  
4-47 Government Code, are amended to read as follows:

4-48 (f) The amount by which an increase under this section  
4-49 exceeds all previously granted increases to an annuitant is payable  
4-50 as a prior service annuity, is an obligation of the municipality's  
4-51 account in the benefit [~~municipality~~] accumulation fund, and is  
4-52 subject to reduction under Section 855.308(f).

4-53 (g) An ordinance under this section may not take effect  
4-54 until it is approved by the board of trustees as meeting the  
4-55 requirements of this section. The board may not approve an  
4-56 ordinance unless the actuary first determines that all obligations  
4-57 charged against the municipality's account in the benefit  
4-58 [~~municipality~~] accumulation fund, including the obligations  
4-59 proposed in the ordinance, can be funded by the municipality within  
4-60 its maximum contribution rate and within its amortization period as  
4-61 in effect on the effective date of the increases.

4-62 SECTION 17. Subsections (a) and (c), Section 854.309,  
4-63 Government Code, are amended to read as follows:

4-64 (a) Except as provided by Subsection (b), if a disability  
4-65 retirement annuity is discontinued under Section 854.307 or the  
4-66 right to an annuity revoked under Section 854.306(b) [~~854.306(c)~~],  
4-67 the retiree is entitled to a lump-sum payment in an amount, if any,  
4-68 by which the amount in the retiree's individual account [~~in the~~  
4-69 ~~employees saving fund~~] at the time of disability retirement exceeds

5-1 the amount of current service annuity payments made before the date  
5-2 the annuity was discontinued or the right to an annuity revoked.

5-3 (c) The benefit provided by this section is payable from the  
5-4 benefit accumulation [~~current service annuity reserve~~] fund.

5-5 SECTION 18. Subsection (b), Section 854.405, Government  
5-6 Code, is amended to read as follows:

5-7 (b) A governing body may not adopt an ordinance under this  
5-8 section unless the actuary first determines, on the basis of  
5-9 mortality and other tables adopted by the board of trustees, that  
5-10 all obligations of the municipality to the benefit [~~municipality~~]  
5-11 accumulation fund, including obligations proposed under the  
5-12 ordinance, can be funded by the municipality within its maximum  
5-13 contribution rate and within its amortization period.

5-14 SECTION 19. Subsection (a), Section 854.501, Government  
5-15 Code, is amended to read as follows:

5-16 (a) Except as provided by Subsection (c), if a member dies  
5-17 before retirement, a lump-sum death benefit is payable from the  
5-18 benefit accumulation [~~employees saving~~] fund in the amount of:

5-19 (1) the amount credited to the member's individual  
5-20 account [~~in the fund~~]; plus

5-21 (2) interest computed from the beginning of the year  
5-22 in which death occurs through the end of the month immediately  
5-23 preceding the month in which death occurs at the rate allowed on  
5-24 member contributions during the preceding year.

5-25 SECTION 20. Section 854.502, Government Code, is amended to  
5-26 read as follows:

5-27 Sec. 854.502. REFUND OF UNRECOVERED CONTRIBUTIONS. (a) If  
5-28 monthly payments of any standard service retirement annuity under  
5-29 Section 854.103, optional service retirement annuity under Section  
5-30 854.104, standard disability retirement annuity under Section  
5-31 854.304, optional disability retirement annuity under Section  
5-32 854.305, standard occupational disability retirement annuity under  
5-33 Section 854.408, or optional occupational disability retirement  
5-34 annuity under Section 854.410 cease before the sum of all payments  
5-35 of the annuity equals or exceeds the amount of accumulated  
5-36 contributions credited to [~~in~~] the member's individual account [~~in~~  
5-37 ~~the employees saving fund~~] at the time of retirement of the member  
5-38 on whose service the annuity was based, a lump-sum benefit equal to  
5-39 the amount by which the amount of the accumulated contributions  
5-40 exceeds the sum of all payments made by reason of the annuity is  
5-41 payable:

5-42 (1) to the designated beneficiary, if living, or if  
5-43 not living, to the estate of the designated beneficiary, if the  
5-44 designated beneficiary survived the retiree; or

5-45 (2) to the estate of the retiree, if the designated  
5-46 beneficiary predeceased the retiree.

5-47 (b) The benefit provided by this section is payable from the  
5-48 benefit [~~current service annuity reserve fund and the municipality~~]  
5-49 accumulation fund [~~in the ratio that the part of the annuity that~~  
5-50 ~~was payable from each of those funds bears to the entire benefit~~  
5-51 ~~determined on the effective date of retirement~~].

5-52 SECTION 21. Subsection (c), Section 855.305, Government  
5-53 Code, is amended to read as follows:

5-54 (c) All assets of the retirement system shall be credited,  
5-55 according to the purpose for which they are held, to one of the  
5-56 following funds:

5-57 (1) benefit [~~employees saving fund,~~  
5-58 [~~(2) municipality~~] accumulation fund;  
5-59 [~~(3) current service annuity reserve fund,~~

5-60 (2) [(4)] interest fund;

5-61 (3) [(5)] endowment fund;

5-62 (4) [(6)] expense fund;

5-63 (5) [(7)] supplemental disability benefits fund; or

5-64 (6) [(8)] supplemental death benefits fund.

5-65 SECTION 22. The heading to Section 855.306, Government  
5-66 Code, is amended to read as follows:

5-67 Sec. 855.306. MEMBER'S INDIVIDUAL ACCOUNT [~~EMPLOYEES~~  
5-68 ~~SAVING FUND~~].

5-69 SECTION 23. Section 855.306, Government Code, is amended by

6-1 amending Subsection (a) and adding Subsection (d) to read as  
6-2 follows:

6-3 (a) The retirement system shall establish in the  
6-4 participating municipality's account in the benefit accumulation  
6-5 fund an individual account for each person who is a member of the  
6-6 system through employment in that municipality. The retirement  
6-7 system shall credit to ~~[deposit in]~~ a member's individual account  
6-8 ~~[in the employees saving fund]:~~

6-9 (1) the amount of contributions to the retirement  
6-10 system deducted from the member's compensation;

6-11 (2) interest allowed on amounts credited to ~~[money in]~~  
6-12 the account in accordance with this subtitle; and

6-13 (3) the portion of a deposit required by Section  
6-14 853.003 to reinstate credited service previously canceled that  
6-15 represents the amount withdrawn.

6-16 (d) If a retiree resumes employment under Section 854.308,  
6-17 the retirement system shall reestablish an individual account for  
6-18 the member in the participating municipality's account in the  
6-19 benefit accumulation fund and credit to that account the portion of  
6-20 the balance of the person's retirement reserve that is attributable  
6-21 to the person's prior accumulated contributions.

6-22 SECTION 24. Section 855.307, Government Code, is amended to  
6-23 read as follows:

6-24 Sec. 855.307. BENEFIT ~~[MUNICIPALITY]~~ ACCUMULATION FUND:  
6-25 CURRENT SERVICE. (a) The retirement system shall credit or charge  
6-26 to the account of a participating municipality in the benefit  
6-27 ~~[municipality]~~ accumulation fund:

6-28 (1) all current service contributions made by the  
6-29 municipality to the retirement system;

6-30 (2) net investment income or loss allocated to the  
6-31 fund under Section 855.317; and

6-32 (3) the withdrawal charge for reinstatement of  
6-33 credited service as provided by Section 853.003.

6-34 (b) The retirement system shall pay from the account of a  
6-35 participating municipality in the benefit ~~[municipality]~~  
6-36 accumulation fund:

6-37 (1) all payments under annuities arising from current  
6-38 service credits ~~[money to the current service annuity reserve fund~~  
6-39 ~~in accordance with Section 855.318];~~ and

6-40 (2) refunds to certain municipalities in accordance  
6-41 with Section 855.319.

6-42 (c) If credited service previously canceled is reinstated  
6-43 in accordance with Section 853.003, the retirement system shall  
6-44 charge the municipality's account in the benefit ~~[municipality]~~  
6-45 accumulation fund with the necessary reserves to fund the credits  
6-46 based on current service that are restored to the member.

6-47 (d) The annuities payable as provided by this section are  
6-48 liabilities and obligations of the participating municipality for  
6-49 which the service was performed on which the annuities are based and  
6-50 are payable from the municipality's account in the benefit  
6-51 accumulation fund.

6-52 SECTION 25. The heading to Section 855.308, Government  
6-53 Code, is amended to read as follows:

6-54 Sec. 855.308. BENEFIT ~~[MUNICIPALITY]~~ ACCUMULATION FUND:  
6-55 PRIOR SERVICE.

6-56 SECTION 26. Section 855.308, Government Code, is amended by  
6-57 amending Subsections (a), (b), (d), and (f) and adding Subsection  
6-58 (g) to read as follows:

6-59 (a) In addition to amounts credited or charged as provided  
6-60 by Section 855.307, the retirement system shall credit to the  
6-61 account of a participating municipality in the benefit  
6-62 ~~[municipality]~~ accumulation fund all prior service contributions  
6-63 made by the municipality to the retirement system.

6-64 (b) In addition to amounts paid as provided by Section  
6-65 855.307, the retirement system shall pay from the account of a  
6-66 participating municipality in the benefit ~~[municipality]~~  
6-67 accumulation fund:

6-68 (1) all payments under annuities arising from prior  
6-69 service credits, special prior service credits, antecedent service

7-1 credits, or updated service credits authorized by a participating  
7-2 municipality; and

7-3 (2) optional increased payments authorized by a  
7-4 participating municipality under Section 854.203.

7-5 (d) If credited service previously canceled is reinstated  
7-6 in accordance with Section 853.003, the retirement system shall  
7-7 charge the municipality's account in the benefit [municipality]  
7-8 accumulation fund with the necessary reserves to fund credits based  
7-9 on prior service that are restored to the member.

7-10 (f) The board of trustees may proportionately reduce all  
7-11 payments under annuities payable under this section, at any time  
7-12 and for a period necessary, to prevent those payments for a year  
7-13 from exceeding the amount available in the participating  
7-14 municipality's account for prior service.

7-15 (g) The annuities payable as provided by this section are  
7-16 liabilities and obligations of the participating municipality for  
7-17 which the service was performed, or granted as the result of  
7-18 reinstated service previously canceled, on which the annuities are  
7-19 based and are payable from the municipality's account in the  
7-20 benefit accumulation fund.

7-21 SECTION 27. Subsection (e), Section 855.311, Government  
7-22 Code, is amended to read as follows:

7-23 (e) If the board of trustees determines that the amount  
7-24 credited to the distributive benefits account on December 31 of any  
7-25 year is sufficient to do so, the board by resolution may:

7-26 (1) authorize the distribution and payment of all or  
7-27 part of the money credited to the account to persons who were  
7-28 annuitants on that day in the ratio of the rate of the monthly  
7-29 benefit of each annuitant to the total of all annuity payments made  
7-30 by the system for the final month of the year; or

7-31 (2) authorize the distribution of all or part of the  
7-32 amount credited to the account to each member's individual account  
7-33 [~~in the employees saving fund~~] as supplemental interest in the  
7-34 ratio of the amount of interest paid on the individual's account to  
7-35 the interest paid to all individual accounts for the year.

7-36 SECTION 28. Subsection (d), Section 855.313, Government  
7-37 Code, is amended to read as follows:

7-38 (d) [~~As soon as practicable after December 31, 1988, the~~  
7-39 ~~actuary shall calculate the amount of reserves required to pay all~~  
7-40 ~~annuities that are obligations of the supplemental disability~~  
7-41 ~~benefits fund. If the board of trustees determines, on the basis of~~  
7-42 ~~the calculations made by the actuary, that the money to the credit~~  
7-43 ~~of the fund is materially in excess of the amount of reserves needed~~  
7-44 ~~to assure payment of all annuities that are obligations of the fund,~~  
7-45 ~~the board may direct that a portion of the excess shall be~~  
7-46 ~~transferred from the supplemental disability benefits fund to the~~  
7-47 ~~municipality accumulation fund and credited to the respective~~  
7-48 ~~accounts of the participating municipalities in such proportions as~~  
7-49 ~~the board of trustees determines to be the ratio of their respective~~  
7-50 ~~contributions to the total of all contributions to the supplemental~~  
7-51 ~~disability benefits fund.] When all annuities payable from the~~  
7-52 supplemental disability benefits fund have been finally paid and  
7-53 discharged, the board of trustees shall direct that the money  
7-54 remaining in the supplemental disability benefits fund shall be  
7-55 transferred and credited to the accounts of the respective  
7-56 participating municipalities in the benefit [municipality]  
7-57 accumulation fund in proportion to the same ratios of their  
7-58 contributions to the total of all contributions to the supplemental  
7-59 disability benefits fund.

7-60 SECTION 29. Section 855.316, Government Code, is amended to  
7-61 read as follows:

7-62 Sec. 855.316. INTEREST RATES AND CREDITING. (a) Unless  
7-63 this subtitle expressly specifies another rate of interest, for  
7-64 periods after December 31, 2008, the rate of interest is five  
7-65 percent compounded annually, plus any other amounts the board of  
7-66 trustees is expressly authorized to provide. Notwithstanding any  
7-67 other provision in this chapter, the interest credited to a  
7-68 member's individual account [~~the employees saving fund~~] in a  
7-69 calendar year may not be less than five percent [~~as allocated under~~

8-1 ~~Section 855.317(a)]~~.

8-2 (b) Effective as of December 31 of each year, the board of  
8-3 trustees shall credit interest on the accumulated contributions in  
8-4 a member's individual account as of January 1 of that year in  
8-5 accordance with Subsection (a) and Section 855.306.

8-6 SECTION 30. Subsections (a) and (b), Section 855.317,  
8-7 Government Code, are amended to read as follows:

8-8 (a) Effective as of December 31 of each year, the board of  
8-9 trustees shall make the following allocations from the interest  
8-10 fund that in the aggregate equal the net investment income or loss  
8-11 for the year:

8-12 (1) ~~[to the current service annuity reserve fund,~~  
8-13 ~~interest on the mean amount in the current service annuity reserve~~  
8-14 ~~fund during that year;~~

8-15 ~~[(2)]~~ to the supplemental disability benefits fund,  
8-16 interest on the mean amount in the supplemental disability benefits  
8-17 fund during that year;

8-18 (2) ~~[(3)]~~ to the supplemental death benefits fund,  
8-19 interest on the mean amount in the supplemental death benefits fund  
8-20 during that year;

8-21 (3) ~~[(4)]~~ to the accounts in the benefit  
8-22 [municipality] accumulation fund, an amount derived by applying a  
8-23 positive or negative rate, as determined by the board of trustees in  
8-24 its sole discretion to the January 1 balances of that year for each  
8-25 of those accounts; and

8-26 (4) ~~[(5)]~~ to the interest reserve account of the  
8-27 endowment fund, a positive or negative amount as determined by the  
8-28 board of trustees in its sole discretion~~;~~ and

8-29 ~~[(6) to the employees saving fund, interest on the sum~~  
8-30 ~~of the accumulated contributions in the employees saving fund~~  
8-31 ~~credited on January 1 of that year to all persons who are members on~~  
8-32 ~~December 31 of that year before any transfers for retirement~~  
8-33 ~~effective December 31 of that year are made].~~

8-34 (b) In making allocations under this section, the board of  
8-35 trustees shall, without regard to the amount of net investment  
8-36 income or loss for the calendar year, first allocate interest as  
8-37 specified in Section 855.316(a) ~~[855.316]~~ to those funds or  
8-38 accounts referenced in Subsections (a)(1) and ~~[(7)]~~ (2) of this  
8-39 section~~[(3), and (6)]~~. The board shall then allocate the  
8-40 remaining net investment income or loss between the funds or  
8-41 accounts referenced in Subsections (a)(3) and (4) of this section  
8-42 ~~[(a)(4) and (5)]~~ in rates or amounts determined by the board in its  
8-43 sole discretion. The board of trustees shall accumulate the amount  
8-44 of assets in the interest reserve account of the endowment fund that  
8-45 the board in its sole discretion determines is necessary:

8-46 (1) to provide adequate reserves to:

8-47 (A) mitigate the effects of future investment  
8-48 return volatility and insufficient net investment income; and

8-49 (B) provide reasonable rate stabilization for  
8-50 participating municipalities;

8-51 (2) to provide adequate reserves against special and  
8-52 contingency requirements of other funds of the system; and

8-53 (3) to provide the amount required for the  
8-54 administration expenses of the system for the following year.

8-55 SECTION 31. Section 855.319, Government Code, is amended to  
8-56 read as follows:

8-57 Sec. 855.319. PAYMENT TO FORMERLY PARTICIPATING  
8-58 MUNICIPALITY. If a participating municipality has no employees who  
8-59 are members of the retirement system and has no present or potential  
8-60 liabilities resulting from the participation of former employees,  
8-61 the municipality's participation in the system stops and the system  
8-62 shall repay to the municipality on application any amount in the  
8-63 benefit [municipality] accumulation fund that is credited to the  
8-64 municipality.

8-65 SECTION 32. Subsection (g), Section 855.402, Government  
8-66 Code, is amended to read as follows:

8-67 (g) After the deductions for member contributions are paid,  
8-68 the board of trustees shall:

8-69 (1) record all receipts; and

9-1 (2) deposit the receipts in the benefit accumulation  
 9-2 fund and credit the appropriate amounts to the members' individual  
 9-3 accounts [~~credit of the employees saving fund~~].

9-4 SECTION 33. Sections 855.405 and 855.406, Government Code,  
 9-5 are amended to read as follows:

9-6 Sec. 855.405. MUNICIPALITY NORMAL CONTRIBUTION. Each  
 9-7 participating municipality shall pay to the benefit [municipality]  
 9-8 accumulation fund, as its normal contribution, an amount equal to a  
 9-9 percentage of the compensation of members employed by the  
 9-10 municipality for that month. The rate of contribution is the normal  
 9-11 contribution rate determined annually by the actuary and approved  
 9-12 by the board of trustees.

9-13 Sec. 855.406. MUNICIPALITY PRIOR SERVICE CONTRIBUTION.  
 9-14 (a) Each participating municipality shall pay to the benefit  
 9-15 [municipality] accumulation fund, as its prior service  
 9-16 contribution, an amount equal to a percentage of the compensation  
 9-17 of members employed by the municipality for that month.

9-18 (b) The rate of contribution is the rate determined annually  
 9-19 by the actuary and approved by the board of trustees as being the  
 9-20 rate required to fund all obligations charged against the  
 9-21 municipality's account in the benefit [municipality] accumulation  
 9-22 fund within the municipality's amortization period without  
 9-23 resulting in a probable future depletion of that account.

9-24 SECTION 34. Subsection (a), Section 855.4065, Government  
 9-25 Code, is amended to read as follows:

9-26 (a) In addition to the contributions a participating  
 9-27 municipality is required to make under this subtitle, the board of  
 9-28 trustees, after consultation with the actuary, by rule may  
 9-29 authorize a participating municipality to make lump-sum or periodic  
 9-30 employer contributions to the retirement system to be deposited in  
 9-31 the municipality's account in the benefit [municipality]  
 9-32 accumulation fund.

9-33 SECTION 35. Subsections (d), (f), and (g), Section 855.407,  
 9-34 Government Code, are amended to read as follows:

9-35 (d) If the dates of participation of each department of a  
 9-36 municipality are not the same, the governing body of the  
 9-37 municipality may request that, to determine the municipality normal  
 9-38 contribution rate and prior service contribution rate and to  
 9-39 determine the period during which the municipality must fund the  
 9-40 obligations charged against its account in the benefit  
 9-41 [municipality] accumulation fund, all of its departments have a  
 9-42 single composite participation date. The actuary shall determine  
 9-43 the composite participation date by computing an average weighted  
 9-44 according to the number of members entering the retirement system  
 9-45 on the actual dates of participation of the departments involved.

9-46 (f) The governing body of a municipality that is determined  
 9-47 by the actuary to be unable to finance all obligations charged  
 9-48 against its account in the benefit [municipality] accumulation fund  
 9-49 within 25 years after its most recent actuarial valuation date may  
 9-50 elect to have the municipality contribute to its account in the  
 9-51 benefit [municipality] accumulation fund at a rate that does not  
 9-52 exceed in any year the sum of two percent and the maximum  
 9-53 contribution rate specified by Subsection (a) and by Section  
 9-54 855.501, if applicable, and that the actuary annually may determine  
 9-55 as necessary to finance the existing levels of benefits before the  
 9-56 expiration of 25 years after the most recent actuarial valuation  
 9-57 date.

9-58 (g) A municipality that begins participation in the  
 9-59 retirement system on or after December 31, 1999, and any  
 9-60 municipality already participating in the retirement system on that  
 9-61 date whose governing body elects to have the municipality do so  
 9-62 shall contribute to its account in the benefit [municipality]  
 9-63 accumulation fund at the combined rate of total compensation paid  
 9-64 to its employees as the actuary determines is necessary to fund all  
 9-65 obligations chargeable to its account in the fund within the  
 9-66 municipality's amortization period, regardless of other provisions  
 9-67 of this subtitle.

9-68 SECTION 36. Subsection (a), Section 855.410, Government  
 9-69 Code, is amended to read as follows:

10-1 (a) A participating municipality that fails to remit before  
 10-2 the 16th day of the month all contributions required by this  
 10-3 subchapter to be made and remitted to the retirement system by that  
 10-4 date shall pay to the retirement system, in addition to the  
 10-5 contributions, interest on the past-due amounts at an annual rate  
 10-6 that is the total of the system's investment return assumption  
 10-7 [~~rates of interest credited by the retirement system to accounts in~~  
 10-8 ~~the municipality accumulation fund~~] for the preceding calendar  
 10-9 year, plus two percent. The retirement system shall notify  
 10-10 participating municipalities of the rate of interest that will be  
 10-11 due on late payments.

10-12 SECTION 37. Subsection (b), Section 855.501, Government  
 10-13 Code, is amended to read as follows:

10-14 (b) The governing body of a municipality electing to provide  
 10-15 for increased reserves by ordinance shall provide that for each  
 10-16 month of current service rendered by a participating employee of  
 10-17 the municipality after the date of its election the municipality  
 10-18 will provide a contribution [~~as provided by Subsection (c)~~] equal  
 10-19 to 150 or 200 percent of the member's accumulated contribution to  
 10-20 the retirement system for that month.

10-21 SECTION 38. Subsection (c), Section 855.608, Government  
 10-22 Code, is amended to read as follows:

10-23 (c) Money for the payment of benefits to a participant under  
 10-24 this section shall be paid to the separate fund created by this  
 10-25 section from the contributions that otherwise would be deposited in  
 10-26 the benefit [~~municipality~~] accumulation fund account of the  
 10-27 municipality that employed the member. If the benefit is payable as  
 10-28 a result of service with more than one participating municipality,  
 10-29 there shall be paid from the contributions that otherwise would be  
 10-30 deposited in the benefit [~~municipality~~] accumulation fund account  
 10-31 of each affected municipality the amount chargeable to that  
 10-32 municipality for the member. When feasible, the monthly amount to  
 10-33 pay benefits under this section shall be paid not later than the  
 10-34 15th day before the date of a monthly payment to a person receiving  
 10-35 annuity benefits under this section.

10-36 SECTION 39. The following provisions of the Government Code  
 10-37 are repealed:

- 10-38 (1) Section 855.309;
- 10-39 (2) Section 855.318; and
- 10-40 (3) Subsections (c) and (d), Section 855.501.

10-41 SECTION 40. (a) The Texas Municipal Retirement System  
 10-42 shall:

10-43 (1) transfer the assets and liabilities of each  
 10-44 participating municipality's members' individual accounts in the  
 10-45 employees saving fund to the appropriate municipality's accounts in  
 10-46 the benefit accumulation fund and dissolve the employees saving  
 10-47 fund; and

10-48 (2) transfer the assets and, if appropriate,  
 10-49 liabilities of the current service annuity reserve fund to the  
 10-50 interest reserve account in the endowment fund and the benefit  
 10-51 accumulation fund, as determined by the board of trustees in  
 10-52 consultation with the actuary, and dissolve the current service  
 10-53 annuity reserve fund.

10-54 (b) For purposes of clarification, as of the effective date  
 10-55 of this Act, the municipality accumulation fund is renamed the  
 10-56 benefit accumulation fund, and the Texas Municipal Retirement  
 10-57 System shall transfer the assets and liabilities of the employees  
 10-58 saving fund and the current service annuity reserve fund to the  
 10-59 benefit accumulation fund as described by Subsection (a) of this  
 10-60 section.

10-61 (c) In implementing Subtitle G, Title 8, Government Code, as  
 10-62 amended by this Act, including without limitation crediting  
 10-63 interest and conducting the actuarial valuation required by that  
 10-64 subtitle, the Texas Municipal Retirement System shall make all  
 10-65 necessary computations based on an accounting record adjusted to  
 10-66 reflect the transfers of assets and liabilities required by  
 10-67 Subsection (a) of this section as though the transfers had taken  
 10-68 place on December 31, 2010.

10-69 SECTION 41. This Act takes effect immediately if it

11-1 receives a vote of two-thirds of all the members elected to each  
11-2 house, as provided by Section 39, Article III, Texas Constitution.  
11-3 If this Act does not receive the vote necessary for immediate  
11-4 effect, this Act takes effect September 1, 2011.

11-5

\* \* \* \* \*