By: Seliger S.B. No. 642

## A BILL TO BE ENTITLED

1 AN ACT

2 relating to optional annuity increases for certain retirees and

- 3 beneficiaries of the Texas Municipal Retirement System.
- 4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
- 5 SECTION 1. Section 853.404, Government Code, is amended by
- 6 amending Subsection (c) and adding Subsection (f) to read as
- 7 follows:
- 8 (c) The governing body of a participating municipality that
- 9 adopts an ordinance under Section 854.203 providing for increased
- 10 annuities effective January 1 of a designated year may further
- 11 provide in the ordinance that increases in annuities will be
- 12 credited effective January 1 of each year following the designated
- 13 year based on recomputations made as provided by Section <u>854.203(b)</u>
- 14 [854.203(b)(1)] for each year following the initial computation,
- 15 and using the fraction specified in the ordinance as required under
- 16 Section 854.203(b) [854.203(b)(2)] in the recomputations.
- 17 <u>(f) If an ordinance described by Subsection (c) will cease</u>
- 18 to be in effect for a future year, or if an increase in annuities
- 19 specified in an ordinance described by Subsection (c) will be
- 20 changed or discontinued as provided by this section, the governing
- 21 body of the participating municipality shall provide notice to
- 22 members and annuitants by regular mail not later than the 60th day
- 23 before the date on which the ordinance will cease to be in effect or
- 24 the increase will be changed or discontinued. For an annuitant who

- 1 receives a periodic check or advice of deposit from the retirement
- 2 system by regular mail, the notice required by this subsection must
- 3 be included with the annuitant's check or advice of deposit.
- 4 SECTION 2. Section 854.203, Government Code, is amended by
- 5 amending Subsections (b) and (f) and adding Subsection (b-1) to
- 6 read as follows:
- 7 (b) The amount of annuity increase under this section is
- 8 computed by one of the following methods:
- 9 (1) as the sum of the prior and current service
- 10 annuities on the effective date of retirement of the person on whose
- 11 service the annuities are based, multiplied by:
- (A)  $\left[\frac{1}{1}\right]$  the percentage change in the Consumer
- 13 Price Index for All Urban Consumers, published by the Bureau of
- 14 Labor Statistics of the United States Department of Labor, from
- 15 December of the year immediately preceding the effective date of
- 16 the person's retirement to the December that is 13 months before the
- 17 effective date of the ordinance providing the increase; and
- 18 (B) [<del>(2)</del>] 30 percent, 50 percent, or 70 percent,
- 19 as specified by the governing body in the ordinance, except that if
- 20 the governing body has specified a different percentage in an
- 21 ordinance adopted under Section 853.404(c) and in effect on
- 22 December 31, 1999, the percentage used in computing annuity
- 23 increases for retirees of that municipality remains in effect until
- 24 changed or discontinued under Section 853.404; or
- 25 (2) as the sum of the prior and current service
- 26 annuities of the person on whose service the annuities are based on
- 27 the effective date of the annuity increase multiplied by the

- 1 percentage increase specified in the ordinance adopted by the
- 2 governing body, except that an adjustment to an annuity after the
- 3 annuity starting date for annuity increases under this subdivision
- 4 may not cause an annuitant's annuity to exceed the amount that the
- 5 annuitant would be entitled to had the maximum amount of the annuity
- 6 increase allowed under Subdivision (1) been applied to the
- 7 annuitant's annuity.
- 8 (b-1) An increase under Subsection (b)(2) applies to all
- 9 annuities for which the effective date of retirement of the person
- 10 on whose service the annuity is based is at least 12 months before
- 11 the effective date of the increase. Notwithstanding any other
- 12 provision of this subtitle, each distribution of a benefit under
- 13 this subtitle must be determined and made in accordance with
- 14 Section 401(a)(9), Internal Revenue Code of 1986. The board of
- 15 trustees may adopt rules it considers necessary to comply with the
- 16 distribution requirements.
- 17 (f) An increase granted to an annuitant under Subsection
- 18 (b)(2), or the  $[\frac{The}{T}]$  amount by which an increase under Subsection
- 19 (b)(1) [this section] exceeds all previously granted increases to
- 20 an annuitant is:
- 21 (1) payable as a prior service annuity;
- (2) (3) an obligation of the municipality's account
- 23 in the municipality accumulation fund;  $[\tau]$  and
- 24 <u>(3)</u> [is] subject to reduction under Section
- 25 855.308(f).
- SECTION 3. This Act takes effect immediately if it receives
- 27 a vote of two-thirds of all the members elected to each house, as

S.B. No. 642

- 1 provided by Section 39, Article III, Texas Constitution. If this
- 2 Act does not receive the vote necessary for immediate effect, this
- 3 Act takes effect September 1, 2011.