

By: Seliger
(Smithee, Truitt, Orr, Nash)

S.B. No. 642

A BILL TO BE ENTITLED

AN ACT

relating to optional annuity increases for certain retirees and beneficiaries of the Texas Municipal Retirement System.

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

SECTION 1. Section 853.404, Government Code, is amended by amending Subsection (c) and adding Subsection (f) to read as follows:

(c) The governing body of a participating municipality that adopts an ordinance under Section 854.203 providing for increased annuities effective January 1 of a designated year may further provide in the ordinance that increases in annuities will be credited effective January 1 of each year following the designated year based on recomputations made as provided by Section 854.203(b) [~~854.203(b)(1)~~] for each year following the initial computation, and using the fraction specified in the ordinance as required under Section 854.203(b) [~~854.203(b)(2)~~] in the recomputations.

(f) If an ordinance described by Subsection (c) will cease to be in effect for a future year, or if an increase in annuities specified in an ordinance described by Subsection (c) will be changed or discontinued as provided by this section, the governing body of the participating municipality shall provide notice to members and annuitants by regular mail not later than the 60th day before the date on which the ordinance will cease to be in effect or 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:

12 (A) [~~(1)~~] 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) [~~(2)~~] 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 [The] 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;
22 (2) [~~is~~] an obligation of the municipality's account
23 in the municipality accumulation fund; [~~is~~] and
24 (3) [~~is~~] subject to reduction under Section
25 855.308(f).

26 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

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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.