

1-1 By: Seliger S.B. No. 642
1-2 (In the Senate - Filed February 14, 2011; February 23, 2011,
1-3 read first time and referred to Committee on State Affairs;
1-4 March 28, 2011, reported favorably by the following vote: Yeas 5,
1-5 Nays 3; March 28, 2011, sent to printer.)

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

1-8 relating to optional annuity increases for certain retirees and
1-9 beneficiaries of the Texas Municipal Retirement System.

1-10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-11 SECTION 1. Section 853.404, Government Code, is amended by
1-12 amending Subsection (c) and adding Subsection (f) to read as
1-13 follows:

1-14 (c) The governing body of a participating municipality that
1-15 adopts an ordinance under Section 854.203 providing for increased
1-16 annuities effective January 1 of a designated year may further
1-17 provide in the ordinance that increases in annuities will be
1-18 credited effective January 1 of each year following the designated
1-19 year based on recomputations made as provided by Section 854.203(b)
1-20 [~~854.203(b)(1)~~] for each year following the initial computation,
1-21 and using the fraction specified in the ordinance as required under
1-22 Section 854.203(b) [~~854.203(b)(2)~~] in the recomputations.

1-23 (f) If an ordinance described by Subsection (c) will cease
1-24 to be in effect for a future year, or if an increase in annuities
1-25 specified in an ordinance described by Subsection (c) will be
1-26 changed or discontinued as provided by this section, the governing
1-27 body of the participating municipality shall provide notice to
1-28 members and annuitants by regular mail not later than the 60th day
1-29 before the date on which the ordinance will cease to be in effect or
1-30 the increase will be changed or discontinued. For an annuitant who
1-31 receives a periodic check or advice of deposit from the retirement
1-32 system by regular mail, the notice required by this subsection must
1-33 be included with the annuitant's check or advice of deposit.

1-34 SECTION 2. Section 854.203, Government Code, is amended by
1-35 amending Subsections (b) and (f) and adding Subsection (b-1) to
1-36 read as follows:

1-37 (b) The amount of annuity increase under this section is
1-38 computed by one of the following methods:

1-39 (1) as the sum of the prior and current service
1-40 annuities on the effective date of retirement of the person on whose
1-41 service the annuities are based, multiplied by:

1-42 (A) [~~(1)~~] the percentage change in the Consumer
1-43 Price Index for All Urban Consumers, published by the Bureau of
1-44 Labor Statistics of the United States Department of Labor, from
1-45 December of the year immediately preceding the effective date of
1-46 the person's retirement to the December that is 13 months before the
1-47 effective date of the ordinance providing the increase; and

1-48 (B) [~~(2)~~] 30 percent, 50 percent, or 70 percent,
1-49 as specified by the governing body in the ordinance, except that if
1-50 the governing body has specified a different percentage in an
1-51 ordinance adopted under Section 853.404(c) and in effect on
1-52 December 31, 1999, the percentage used in computing annuity
1-53 increases for retirees of that municipality remains in effect until
1-54 changed or discontinued under Section 853.404; or

1-55 (2) as the sum of the prior and current service
1-56 annuities of the person on whose service the annuities are based on
1-57 the effective date of the annuity increase multiplied by the
1-58 percentage increase specified in the ordinance adopted by the
1-59 governing body, except that an adjustment to an annuity after the
1-60 annuity starting date for annuity increases under this subdivision
1-61 may not cause an annuitant's annuity to exceed the amount that the
1-62 annuitant would be entitled to had the maximum amount of the annuity
1-63 increase allowed under Subdivision (1) been applied to the
1-64 annuitant's annuity.

2-1 (b-1) An increase under Subsection (b)(2) applies to all
2-2 annuities for which the effective date of retirement of the person
2-3 on whose service the annuity is based is at least 12 months before
2-4 the effective date of the increase. Notwithstanding any other
2-5 provision of this subtitle, each distribution of a benefit under
2-6 this subtitle must be determined and made in accordance with
2-7 Section 401(a)(9), Internal Revenue Code of 1986. The board of
2-8 trustees may adopt rules it considers necessary to comply with the
2-9 distribution requirements.

2-10 (f) An increase granted to an annuitant under Subsection
2-11 (b)(2), or the ~~[The]~~ amount by which an increase under Subsection
2-12 (b)(1) ~~[this section]~~ exceeds all previously granted increases to
2-13 an annuitant is:

- 2-14 (1) payable as a prior service annuity;
- 2-15 (2) ~~[, is]~~ an obligation of the municipality's account
2-16 in the municipality accumulation fund; ~~[,]~~ and
- 2-17 (3) ~~[is]~~ subject to reduction under Section
2-18 855.308(f).

2-19 SECTION 3. This Act takes effect immediately if it receives
2-20 a vote of two-thirds of all the members elected to each house, as
2-21 provided by Section 39, Article III, Texas Constitution. If this
2-22 Act does not receive the vote necessary for immediate effect, this
2-23 Act takes effect September 1, 2011.

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