

By: Wentworth

S.B. No. 1164

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to optional annuity increases and annual supplemental  
3 payments for certain retirees and beneficiaries of the Texas  
4 Municipal Retirement System.

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

6 SECTION 1. Subsection (c), Section 853.404, Government  
7 Code, is amended to read as 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 854.203(b)  
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 SECTION 2. The heading to Section 854.203, Government Code,  
18 is amended to read as follows:

19 Sec. 854.203. OPTIONAL ANNUITY INCREASE OR ANNUAL  
20 SUPPLEMENTAL PAYMENTS [~~IN RETIREMENT ANNUITIES~~].

21 SECTION 3. Section 854.203, Government Code, is amended by  
22 amending Subsections (a), (b), (f), and (g) and adding Subsections  
23 (b-1), (b-2), (b-3), and (b-4) to read as follows:

24 (a) The governing body of a participating municipality by

1 ordinance, from time to time but not more frequently than once in  
2 each 12-month period, may authorize and provide for an increased  
3 annuity, a supplemental payment, or both [~~annuities~~] to be paid to  
4 retirees and beneficiaries of deceased retirees of the  
5 municipality. An annuity increased under this section replaces any  
6 annuity or increased annuity previously granted to the same person.

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 annuity 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 100 percent of the amount  
6 described by Subdivision (1)(A) been applied to the annuitant's  
7 annuity on the effective date of retirement.

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 (b-2) The amount of a supplemental payment under this  
18 section is an amount equal to the sum of the prior and current  
19 service annuities of the person on whose service the annuities are  
20 based on the date that is the 30th day after the effective date of  
21 the ordinance as described by Subsection (c) multiplied by the  
22 percentage specified in the ordinance adopted by the governing  
23 body, which may not exceed 120 percent. A supplemental payment  
24 under this section must be issued on:

25 (1) March 31, if the effective date of the ordinance  
26 described by Subsection (c) is January 1; or

27 (2) the 60th day after the date on which the amount of

1 the payment is calculated under this subsection, if the effective  
2 date of the ordinance is not January 1.

3 (b-3) If the effective date of retirement of the person on  
4 whose service the annuity is based is less than 12 months before the  
5 date on which the amount of the payment is calculated under  
6 Subsection (b-2), the supplemental payment shall be prorated based  
7 on the number of months the person is retired.

8 (b-4) A supplemental payment under this section is an  
9 obligation of the municipality's account in the municipality  
10 accumulation fund.

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

15 (1) payable as a prior service annuity;

16 (2) [~~is~~] an obligation of the municipality's account  
17 in the municipality accumulation fund; [~~and~~]

18 (3) [~~is~~] subject to reduction under Section  
19 855.308(f).

20 (g) An ordinance under this section may not take effect  
21 until it is approved by the board of trustees as meeting the  
22 requirements of this section. The board may not approve an  
23 ordinance unless the actuary first determines that all obligations  
24 charged against the municipality's account in the municipality  
25 accumulation fund, including the obligations proposed in the  
26 ordinance, can be funded by the municipality within its maximum  
27 contribution rate and within its amortization period as in effect

1 on the effective date of the annuity increases or supplemental  
2 payments.

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