

1-1 By: Wentworth S.B. No. 1164
1-2 (In the Senate - Filed March 4, 2011; March 16, 2011, read
1-3 first time and referred to Committee on State Affairs;
1-4 April 26, 2011, reported adversely, with favorable Committee
1-5 Substitute by the following vote: Yeas 9, Nays 0; April 26, 2011,
1-6 sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 1164 By: Van de Putte

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to optional annuity increases and annual supplemental
1-11 payments for certain retirees and beneficiaries of the Texas
1-12 Municipal Retirement System.

1-13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-14 SECTION 1. Subsection (c), Section 853.404, Government
1-15 Code, is amended to read as follows:

1-16 (c) The governing body of a participating municipality that
1-17 adopts an ordinance under Section 854.203 providing for increased
1-18 annuities effective January 1 of a designated year may further
1-19 provide in the ordinance that increases in annuities will be
1-20 credited effective January 1 of each year following the designated
1-21 year based on recomputations made as provided by Section 854.203(b)
1-22 [~~854.203(b)(1)~~] for each year following the initial computation,
1-23 and using the fraction specified in the ordinance as required under
1-24 Section 854.203(b) [~~854.203(b)(2)~~] in the recomputations.

1-25 SECTION 2. The heading to Section 854.203, Government Code,
1-26 is amended to read as follows:

1-27 Sec. 854.203. OPTIONAL ANNUITY INCREASE OR ANNUAL
1-28 SUPPLEMENTAL PAYMENTS [~~IN RETIREMENT ANNUITIES~~].

1-29 SECTION 3. Section 854.203, Government Code, is amended by
1-30 amending Subsections (a), (b), (f), and (g) and adding Subsections
1-31 (b-1), (b-2), (b-3), and (b-4) to read as follows:

1-32 (a) The governing body of a participating municipality by
1-33 ordinance, from time to time but not more frequently than once in
1-34 each 12-month period, may authorize and provide for an increased
1-35 annuity, a supplemental payment, or both [~~annuities~~] to be paid to
1-36 retirees and beneficiaries of deceased retirees of the
1-37 municipality. An annuity increased under this section replaces any
1-38 annuity or increased annuity previously granted to the same person.

1-39 (b) The amount of annuity increase under this section is
1-40 computed by one of the following methods:

1-41 (1) as the sum of the prior and current service
1-42 annuities on the effective date of retirement of the person on whose
1-43 service the annuities are based, multiplied by:

1-44 (A) [~~(1)~~] the percentage change in the Consumer
1-45 Price Index for All Urban Consumers, published by the Bureau of
1-46 Labor Statistics of the United States Department of Labor, from
1-47 December of the year immediately preceding the effective date of
1-48 the person's retirement to the December that is 13 months before the
1-49 effective date of the ordinance providing the annuity increase; and

1-50 (B) [~~(2)~~] 30 percent, 50 percent, or 70 percent,
1-51 as specified by the governing body in the ordinance, except that if
1-52 the governing body has specified a different percentage in an
1-53 ordinance adopted under Section 853.404(c) and in effect on
1-54 December 31, 1999, the percentage used in computing annuity
1-55 increases for retirees of that municipality remains in effect until
1-56 changed or discontinued under Section 853.404; or

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

2-1 annuitant would be entitled to had 100 percent of the amount
2-2 described by Subdivision (1)(A) been applied to the annuitant's
2-3 annuity on the effective date of retirement.

2-4 (b-1) An increase under Subsection (b)(2) applies to all
2-5 annuities for which the effective date of retirement of the person
2-6 on whose service the annuity is based is at least 12 months before
2-7 the effective date of the increase. Notwithstanding any other
2-8 provision of this subtitle, each distribution of a benefit under
2-9 this subtitle must be determined and made in accordance with
2-10 Section 401(a)(9), Internal Revenue Code of 1986. The board of
2-11 trustees may adopt rules it considers necessary to comply with the
2-12 distribution requirements.

2-13 (b-2) The amount of a supplemental payment under this
2-14 section is an amount equal to the sum of the prior and current
2-15 service annuities of the person on whose service the annuities are
2-16 based on the date that is the 30th day after the effective date of
2-17 the ordinance as described by Subsection (c) multiplied by the
2-18 percentage specified in the ordinance adopted by the governing
2-19 body, which may not exceed 120 percent. A supplemental payment
2-20 under this section must be issued on:

2-21 (1) March 31, if the effective date of the ordinance
2-22 described by Subsection (c) is January 1; or

2-23 (2) the 60th day after the date on which the amount of
2-24 the payment is calculated under this subsection, if the effective
2-25 date of the ordinance is not January 1.

2-26 (b-3) If the effective date of retirement of the person on
2-27 whose service the annuity is based is less than 12 months before the
2-28 date on which the amount of the payment is calculated under
2-29 Subsection (b-2), the supplemental payment shall be prorated based
2-30 on the number of months the person is retired.

2-31 (b-4) A supplemental payment under this section is an
2-32 obligation of the municipality's account in the municipality
2-33 accumulation fund.

2-34 (f) An increase granted to an annuitant under Subsection
2-35 (b)(2), or the ~~[The]~~ amount by which an increase under Subsection
2-36 (b)(1) ~~[this section]~~ exceeds all previously granted increases to
2-37 an annuitant is:

2-38 (1) payable as a prior service annuity;

2-39 (2) ~~[is]~~ an obligation of the municipality's account
2-40 in the municipality accumulation fund; ~~[and]~~

2-41 (3) ~~[is]~~ subject to reduction under Section
2-42 855.308(f).

2-43 (g) An ordinance under this section may not take effect
2-44 until it is approved by the board of trustees as meeting the
2-45 requirements of this section. The board may not approve an
2-46 ordinance unless the actuary first determines that all obligations
2-47 charged against the municipality's account in the municipality
2-48 accumulation fund, including the obligations proposed in the
2-49 ordinance, can be funded by the municipality within its maximum
2-50 contribution rate and within its amortization period as in effect
2-51 on the effective date of the annuity increases or supplemental
2-52 payments.

2-53 SECTION 4. This Act takes effect immediately if it receives
2-54 a vote of two-thirds of all the members elected to each house, as
2-55 provided by Section 39, Article III, Texas Constitution. If this
2-56 Act does not receive the vote necessary for immediate effect, this
2-57 Act takes effect September 1, 2011.

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