

BILL ANALYSIS

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By: Huffman
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas Municipal Retirement System (TMRS) is a voluntary retirement system for Texas cities and now has over 880 participating cities. The TMRS board of trustees completed a long-term study of their enabling statute this past interim and unanimously voted to propose a limited number of legislative changes that will increase administrative and operational efficiencies. S.B. 1337 increases system administrative and operational efficiencies and updates outdated language in their governing statutes.

As proposed, S.B. 1337 amends current law relating to credit in, benefits from, and administration of the Texas Municipal Retirement System.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the board of trustees of the Texas Municipal Retirement System (board of trustees) in SECTION 4 (Section 853.004, Government Code), SECTION 16 (Section 854.411, Government Code), and SECTION 17 (Section 855.007, Government Code) of this bill.

Rulemaking authority previously granted to the board of trustees is modified in SECTION 19 (Section 854.110, Government Code) and SECTION 23 (Section 855.116, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 851.001, Government Code, by amending Subdivisions (8) and (15) and adding Subdivision (8-a), as follows:

(8) Redefines "employee" to mean, unless the context requires otherwise, a person, including a person serving a period of probationary employment, who receives compensation from and is certified by a municipality as being regularly engaged in the performance of duties of:

(A)-(B) makes no changes to these paragraphs.

(8-a) Defines "excluded prior service credit."

(15) Redefines "amortization period" to mean, as to a particular municipality, the expiration of the maximum number of years, not to exceed 30 years, after the most recent actuarial valuation date for the municipality. Deletes Paragraphs (A), (B), and (C) relating to certain time periods in the definition of "amortization period."

SECTION 2. Amends Section 851.004, Government Code, as follows:

Sec. 851.004. New heading: POWERS, PRIVILEGES, AND IMMUNITIES. (a) Creates this section from existing text.

(b) Provides that the board of trustees of the Texas Municipal Retirement System (board of trustees), director, members of an advisory committee or medical board appointed by the board of trustees, and employees of the retirement system are not liable for any action taken or omission made or suffered by them in good faith in the performance of any duty in connection with any program, system, or benefit administered by the retirement system.

SECTION 3. Amends the heading to Section 853.003, Government Code, to read as follows:

Sec. 853.003. BUY BACK OF CREDITED SERVICE PREVIOUSLY CANCELED.

SECTION 4. Amends Subchapter A, Chapter 853, Government Code, by adding Sections 853.0015 and 853.004, as follows:

Sec. 853.0015. EXCLUDED PRIOR SERVICE CREDIT. Provides that if a member is only entitled to receive excluded prior service credit under this chapter, the prior service credit certified to the member:

- (1) is required to only be used to satisfy length of service requirements for vesting and retirement eligibility; and
- (2) is prohibited from being used to determine eligibility for or computation of updated service credits.

Sec. 853.004. RULES FOR CREDITABLE SERVICE. Requires the board of trustees to adopt rules necessary to implement this chapter.

SECTION 5. Amends Section 853.105, Government Code, by amending Subsections (a), (c), and (d) and adding Subsection (d-1), as follows:

(a) Requires the retirement system, rather than the board of trustees, after receiving a certification of prior service and average prior service compensation under Section 853.104 (Certification of Service and Average Compensation), to determine the member's prior service credit.

(c) Removes an effective date applied to this subsection and provides that the prior service credit is an amount computed as a percentage determined as provided by Subsection (d) or, if applicable, Subsection (d-1), times a base credit equal to the accumulation at three percent interest of a series of monthly amounts for the number of months of approved prior service, times the sum of:

- (1)–(2) makes no changes to these subdivisions.

(d) Requires the governing body of a municipality, rather than the governing body of a municipality having an effective date of retirement participation after December 31, 1975, to determine in the ordinance providing for participation the percentage to be applied against the base credit in computing a prior service credit under Subsection (c). Authorizes the percentage adopted, except as provided by Subsection (d-1), to be any multiple of 10 percent that does not exceed 100 percent of the base credit, with 10 percent being the minimum percentage a municipality is authorized to adopt. Prohibits a governing body from adopting a percentage under this subsection until the actuary first determines, and the retirement system, rather than the board of trustees, concurs in the determination, that the municipality is able to fund, before the 30th anniversary, rather than the 25th anniversary, of the effective day of its participation in the retirement system, all prior service obligations that the municipality proposes to assume under this section (Determination of Prior Service Credit).

(d-1) Requires the governing board of a municipality to adopt, by ordinance, a zero percent prior service credit under Subsection (c) entitling the member to excluded prior service credit if, before joining the retirement system, the municipality provided

retirement benefits to its employees that were funded partly or wholly by the municipality.

SECTION 6. Amends Section 853.106, Government Code, as follows:

Sec. 853.106. PRIOR SERVICE CERTIFICATE. (a) Requires the retirement system, rather than the board of trustees, after determining a member's prior service credit under Section 853.105 to issue to the member a prior service certificate stating:

(1)–(3) makes no changes to these subdivisions.

(b) Provides that, as long as a person remains a member, the person's prior service certificate is evidence, for purposes of retirement, conclusive evidence of the information it contains, except that a member of participating municipality may request that the retirement system correct an error in the prior service certificate in accordance with Section 852.110 (Correction of Errors), rather than request the board of trustees to modify the certificate before the first anniversary of the issuance or modification.

SECTION 7. Amends Section 853.303, Government Code, by adding Subsections (a-1), (a-2), and (a-3) and amending Subsections (c) and (d), as follows:

(a-1) Provides that this section applies to a municipality that is required to adopt a zero percent prior service credit under Section 853.105(d-1). Provides that, if the governing body of a municipality subject to this subsection authorizes the granting of prior service credit to an employee under Subsection (a) the employee is only entitled to receive excluded prior service credit.

(a-2) Provides that this subchapter applies to a municipality that, before having a department of the municipality begin participating in the retirement system, provided other retirement benefits to its employees in that department funded partly or wholly by the municipality. Provides that if, on or after January 1, 2020, the governing body of a municipality subject to this subsection authorizes the granting of prior service credit to an employee under Subsection (a) (relating to requiring the governing body of a municipality by ordinance to authorize the granting of prior service credit), the employee is only entitled to receive excluded prior service credit.

(a-3) Provides that this subsection applies to a municipality that elected to discontinue the participation in the retirement system of persons employed or reemployed after the date of an election to discontinue under Section 852.006 (a) (relating to prohibiting a municipality from terminating participation in the retirement system), provided other requirement benefits to those employees funded partly or wholly by the municipality, and subsequently elects, by ordinance, to have those employees resume participating in the retirement system. Provides that if, on or after January 1, 2020, the governing body of a municipality subject to this subsection authorizes prior service credit under Subsection (a) to an employee described by this subsection, the employee is only entitled to excluded prior service credit.

(c) Requires the municipality, as soon as practicable after a member has filed a statement of prior service under this section, to verify the prior service claimed and certified to the retirement system, rather than to the board of trustees, the creditable prior service approved and the average monthly compensation paid to the member during the period of the service.

(d) Requires the retirement system, rather than the board of trustees, after receiving a certification of prior service and average monthly compensation under this section, to:

(1)–(2) makes no changes to these subdivisions.

SECTION 8. Amends Section 853.401(a), Government Code, as follows:

(a) Authorizes the governing body of a participating municipality by ordinance, except as provided by Subsection (b) and Sections 853.105 and 853.303 (Private Service Credit For Service For Nonparticipating Department), to authorize the crediting in the retirement system of updated service credits for service performed by the municipality by members who are contributing employees of the municipality on the date prescribed by 853.402(e) (relating to the date used in computing updated service compensation and updated service credits).

SECTION 9. Amends Section 853.402, Government Code, adding Subsection (g), as follows:

(g) Authorizes the retirement system to recalculate updated service credit for purposes of determining a member's retirement annuity if the member reestablishes credit service in accordance with Section 853.003 and retires in the same calendar year, and any municipality for which the member performed creditable service adopts an ordinance authorizing updated service credits under Section 853.401 (Ordinance Authorizing Updating Service Credits) or 853.404 (Allowance of Updated Service Credit and Annuity Increases) with an effective date of January 1 of the same calendar year.

SECTION 10. Amends Section 853.601(a), Government Code, to delete existing text regarding a date of January 1, 1984, related to updated service credit.

SECTION 11. Amends Section 854.006(f), Government Code, to delete references to certain subdivisions of Section 854.305 and 854.410, Government Code.

SECTION 12. Amends Section 854.301, Government Code, adding Subdivision (d), to prohibit a member from applying for a disability retirement annuity under this subchapter after the date the member's participating municipality begins participation in the occupational disability benefits program under Subchapter E (Optional Disability Retirement Benefits).

SECTION 13. Amends Sections 854.408(a) and (b), Government Code, as follows:

(a) Provides that a standard occupational disability retirement annuity is payable throughout the life of the retiree, except as otherwise provided by this subchapter. Deletes Subdivisions (1) and (2) relating to a retirement annuity being reducible as to any month or series of months. Deletes Subdivisions (1) and (2).

(b) Prohibits the standard occupational disability retirement annuity of a disability retiree from being suspended under this subchapter after the date the disability retiree attains 60 years of age. Deletes remaining text of Subsection (b) and Subdivisions (1) and (2) relating to prohibiting the standard occupational disability retirement annuity from exceeding certain amounts.

SECTION 14. Amends Section 854.409, Government Code, as follows:

Sec. 854.409. New heading: MEDICAL EXAMINATION OF RETIREES. (a) Authorizes the retirement system to require, by written request, a disability retiree under this subchapter who is younger than 60 years of age to undergo a medical examination and provide current medical and other relevant information reaffirming the status of the retiree as meeting the requirements for certification of occupational disability under Section 854.407(b) (relating to requiring the medical border to issue a certification of occupational disability). Authorizes the retirement system or medical board to designate a physician to perform the examination. Requires the retiree to pay the cost of the examination, unless the director, at the director's discretion, waives that requirement and has the retirement system pay the cost of the examination. Deletes text relating to requiring a disability retiree to promptly notify the board of trustees in writing of the amount of certain earnings.

(b) Authorizes the retirement system, if a retiree refuses to submit to a medical examination or fails to provide current medical or other information requested

under Subsection (a), to suspend payments of the annuity as provided by this section (Reports Required of Retirees), rather than authorizes the director, if a retiree fails to provide the information required under this section, to suspend payments of the annuity until the retiree provides the required information. Deletes text relating to requiring each person who is receiving an occupational disability retirement annuity and is less than 60 years old to submit an annual report to the board of trustees.

(c) Authorizes the retirement system, if a retiree refuses to submit to a medical examination or fails to provide current medical or other information requested under Subsection (a) by the first anniversary of the date the retirement system requested the medical examination or information, to suspend payments of the annuity until the earlier of the date the retiree attains 60 years of age, or submits to a medical examination and provides the requested information.

(d) Authorizes the retirement system, if a retiree submits to a medical examination and provides the requested information before the fourth anniversary of the date the retirement system requested the medical examination or information, to pay the suspended payments of the annuity in a lump sum.

(e) Requires the medical board, if the medical board finds that a retiree under this subchapter has experienced medical improvement to the extent that the retiree no longer meets the requirements for certification of occupational disability under Section 854.407 (b) (relating to requiring the medical board to issue a certification of occupational disability and send it to the board of trustees under certain circumstances), to certify the medical board's findings and submit the findings to the director. Authorizes the director, if the director concurs in the medical board's findings under this section, to adopt the findings, and the retirement system to suspend payments of the annuity and take other action as the retirement system, in the retirement system's discretion, considers equitable and appropriate to address the situation, until the disability retiree attains 60 years of age.

(f) Prohibits the retirement system from suspending a benefit under this section payable to an alternate payee under a qualified domestic relations order.

SECTION 15. Amends Section 854.410(e), Government Code, as follows:

(e) Requires a member or retiree, to select an optional occupational disability retirement annuity, to make the selection and designate a beneficiary on a form prescribed by and filed with the retirement system, rather than with the board of trustees, before the 31st day after the effective date of retirement.

SECTION 16. Amends Subchapter E, Chapter 854, Government Code, by adding Section 854.411, as follows:

Sec. 854.411. RULES FOR OPTIONAL DISABILITY RETIREMENT ANNUITIES.
Authorizes the board of trustees to adopt rules necessary to implement this subchapter.

SECTION 17. Amends Section 855.007, Government Code, by amending Subsections (a), (b), and (c) and adding Subsections (e), (f), (g), (h), (i), (j), and (k), as follows:

(a) Requires the board of trustees to hold at least four meetings each year and additional meetings when called by the director, rather than hold regular meetings in March, June, September, and December of each year and special meetings when called by the director.

(b) Requires the director, before the fifth day preceding the day of a meeting, to give written notice of the meeting, rather than notice of a special meeting, to each trustee unless notice is waived.

(c) Requires all meetings of the board, except as otherwise provided by this subtitle, Chapter 551 (Open Meetings), or other law, to be open to the public.

(e) Authorizes the board of trustees, notwithstanding Chapter 551 or any other law, to hold an open or closed meeting by telephone conference call, videoconference, or other similar telecommunication method. Authorizes the board to use a telephone conference call, videoconference, or other similar telecommunication method for purposes of establishing a quorum or voting or for any other meeting purposes in accordance with Subsection (f) and this subsection. Provides that this subsection applies without regard to the subject matter discussed or considered by the board at a meeting.

(f) Provides that a meeting of the board of trustees held by telephone conference call, videoconference, or other similar telecommunication method:

(1) is subject to the notice requirements applicable to other board meetings;

(2) is prohibited from being held unless notice of the meeting specifies the location of the meeting at which at least one trustee of the board will be physically present; and

(3) is required to be open and audible to the public at the location specified in the notice under Subdivision (2) during the open portions of the meeting.

(g) Provides that Chapter 551 does not require the board of trustees to confer with one or more employees, consultants, or legal counsel of the retirement system or with a third party, including representatives of an issuer of restricted securities or a private instrument fund, in an open meeting if the only purpose of the conference is to receive information from or question the employees, consultants, or legal counsel of the retirement system or the third party relating to an investment or a potential investment.

(h) Authorizes the board of trustees or a committee of the board to conduct a closed meeting in accordance with Subchapter E (Procedures Relating to Closed Meeting), Chapter 551, with the retirement system's internal or external auditors to discuss governance, risk management or internal control weaknesses, known or suspected compliance violations or fraud, status of regulatory reviews or investigations, or identification of potential fraud risk areas and audits for the annual internal audit plan, or the auditors' ability to perform duties in accordance with the Internal Audit Charter and relevant auditing standards.

(i) Authorizes the board of trustees, notwithstanding Chapter 551 or any other law, to conduct a closed meeting to consider and discuss evaluations or duties of trustees or board consultants, and self-evaluations of the board as a whole.

(j) Provides that, notwithstanding any other law, Chapter 551 does not apply to an assembly of the board of trustees or one of the board's committees while attending a summit, conference, convention workshop, or other event held for educational purposes if the assembly or committee does not deliberate, vote, or take action on a specific matter of public business or public policy over which the board of trustees or a committee of the board has supervision or control. Provides that this subsection does not apply to a meeting of the board of trustees scheduled or called under the board's bylaws.

(k) Authorizes the board of trustees to adopt rules necessary to implement this section.

SECTION 18. Amends Section 855.107, Government Code, as follows:

Sec. 855.107. AUDIT. (a) Defines "audit" and "audit working paper," for purposes of this section.

(b) Creates this subsection from existing text and requires the board, annually, or more often, to have the accounts of the retirement system audited by a certified public accountant.

(c) Authorizes the board of trustees, in addition to the financial audit required by Subsection (b), to initiate or commission an audit or investigation of activities, functions, or operations of the retirement system as the board determines appropriate.

(d) Provides that audit working papers prepared, maintained, or assembled by the retirement system or an agent of the retirement system are not a record of the board of trustees for purposes of Section 855.112, and are confidential and exempted from the disclosure requirements of Chapter 552 (Public Information).

(e) Provides that unless made confidential under other law, an audit report, when received by the board of trustee in its final form, is public information not excepted from the requirements of Section 552.021 (relating to granting a request for information).

SECTION 19. Amends Section 855.110(c), Government Code, as follows:

(c) Authorizes, the board of trustees, after consultation with the actuary, by rule or by funding policy adopted by the board of trustees, to:

(1) set open or closed amortization periods not to exceed 30 years, rather than 25 years;

(2) change the period for amortizing a municipality's unfunded actuarial accrued liabilities from an open period to a closed period or from a closed period to an open period;

(3) decrease or increase the amortization period, provided the amortization is prohibited from exceeding 30 years; and

(4) set different amortization period for unfunded actuarial accrued liabilities arising from different types of events giving rise to liabilities and ladder the amortization of the liabilities.

SECTION 20. Amends Section 855.112, Government Code, as follows:

Sec. 855.112. New heading: RECORDS. (a) Requires the retirement system, rather than the board of trustees, to keep, in convenient form, data necessary for required computations and valuations by the actuary.

(b) Requires the board of trustees to keep a permanent record of all of its proceedings.

(c) Provides that records of the board of trustees are open to the public.

SECTION 21. Amends Section 855.114, Government Code, as follows:

Sec. 855.114. OBTAINING INFORMATION. (a) Defines "participant," for purposes of this section.

(b) Creates this subsection from existing text and requires the board of trustees to obtain from participants, rather than from members, or participating municipalities information necessary for the proper operation of the retirement system.

(c) Requires each participant and participating municipality to timely provide, in the form and manner specified by the retirement system, information necessary for the proper operation and administration of the retirement system.

SECTION 22. Amends Section 855.115, Government Code, by amending Subsections (a), (c), and (d) and adding Subsections (a-1), (b-1), (e), (f), (g), and (h), as follows:

(a) Defines "participant" for purposes of this section.

(a-1) Provides that the information contained in records that are in the custody of the retirement system or maintained in the custody of another government entity or an administrator or carrier acting in cooperation with or on behalf of the retirement system concerning a participant, rather than concerning an individual member, retiree, annuitant, or beneficiary, is confidential and not subject to public disclosure. Provides that, except as otherwise provided by this section, the retirement system is not required to accept or comply with a request for a record or information about a record of a participant, or to seek an opinion from the attorney general because the records of a participant are not public record and are exempt from disclosure and the public information provisions of Chapter 552. Prohibits participant information from being disclosed unless:

(1) the information is disclosed to:

(A) makes nonsubstantive changes;

(B) makes nonsubstantive changes;

(C) a governmental official or employee after the director determines that the disclosure of the information requested is reasonably necessary to the performance of the duties of the official or employee or to perform the purposes of the retirement system; or

(D) makes a nonsubstantive change;

(2) makes a nonsubstantive change.

(b-1) Provides that this section does not require the retirement system to compile or disclose a list of participants' names, addresses, social security numbers, or other descriptive or demographic information.

(c) Authorizes the director to designate other employees of the retirement system to make the necessary determinations under Subsection (a-1), rather than Subsection (a).

(d) Authorizes a determination and disclosure under Subsection (a-1), rather than Subsection (a), to be made without notice to the participant, rather than notice to the individual member, retiree, annuitant, or beneficiary.

(e) Authorizes a record released or received by the retirement system under this section to be transmitted electronically, including through the use of an electronic signature or certification in a form acceptable to the retirement system. Provides that any unintentional disclosure to, or unauthorized access by, a third party related to the transmission or receipt of information under this section is not a violation by the retirement system of any law, including any law or rule relating to the protection of confidential information.

(f) Provides that the records of a participant remain confidential after release to a person, including a governmental official or employee, as authorized by this section. Authorizes the records of the participant to become part of a public record of an administrative or judicial proceeding, and provides that the participant waives the confidentiality of the records, including medical records, unless the records are closed to public access by a protective order issued under applicable law.

(g) Authorizes the retirement system to require a participant to provide the participant's social security number as the retirement system considers necessary to ensure the proper administration of all services, benefits, plans, and programs under the retirement system's administration or as otherwise required by state or federal law.

(h) Provides that the retirement system has sole discretion in determining if a record is subject to this section. Provides that, for purposes of this section, a record includes any record of the retirement system containing information about a participant, living or deceased.

SECTION 23. Amends Section 855.116, Government Code, as follows:

Sec. 855.116. New heading: ELECTRONIC INFORMATION. (a) Provides that this section:

(1) Redefines "electronic filing" as the filing of data by the communication of information by facsimile or in the form of digital electronic signals transformed by computer and stored on microfilm, magnetic tape, magnetic or solid state disk, or any other electronic storage or other medium, rather than on microfilm, magnetic tape, optical disk, or any other medium.

(2) Defines "electronic record."

(b) Authorizes the board of trustees to adopt rules and procedures relating to the electronic filing of documents with the retirement system and the delivery of information electronically by the retirement system.

(c) Authorizes the retirement system to provide confidential information electronically to participating municipalities, members, retirees, beneficiaries, annuitants, alternate payees, and other persons authorized to receive the information and to receive information electronically from the individuals or entities, as applicable, including the use of an electronic signature or certification in a form acceptable to the retirement system. Provides that an unintentional disclosure to, or unauthorized access by, a third party related to the transmission or receipt of information under this section is not a violation by the retirement system of any law, including a rule relating to the protection of confidential information.

(d) Authorizes the retirement system, subject to Subsection (f), to provide to a member, retiree, or annuitant any information that is required to be provided, distributed, or furnished under Section 802.106(a), (b), (d), or (e) by:

(1) sending the information to an e-mail address or other electronic address furnished to the retirement system by the member, retiree, or annuitant; or

(2) directing the member, retiree, or annuitant through a written, e-mail, or other electronic notice to an Internet website address to access the information.

(e) Authorizes the retirement system, subject to Subsection (f), to provide to a member, retiree, or annuitant the information that is required to be provided under Section 802.106(c) by directing the member, retiree, or annuitant through a written notice, e-mail, or other electronic notice to an Internet website address to access the information.

(f) Authorizes electronic notice sent under this section by e-mail, or other means to only be sent to an e-mail address or other electronic address furnished to the retirement system by the member, retiree, or annuitant.

(g) Authorizes the retirement system to photograph, microphotograph, film, or make an electronic record of any record in the retirement system's possession, or preserve the record through electronic document imaging.

(h) Authorizes the retirement system, if a record is reproduced under Subsection (g), to destroy or dispose of the original record if the system first places the reproduction or electronic record in a file that is conveniently accessible to retirement system personnel, and provides for the preservation, examination, and use of the reproduction or stored electronic record.

(i) Provides that a photograph, microphotograph, film, electronic record, or electronic document image of a record received by the retirement system or reproduced under Subsection (g) is equivalent to the original record for all purposes, including introduction as evidence in all courts and administrative agency proceedings. Provides that a certified or authenticated copy of the photograph, microphotograph, film, electronic record, or electronic document image is admissible as evidence to the same extent as the original record.

(j) Authorizes the director or an authorized representative to certify the authenticity of a record reproduced under this section and to charge a fee for the certified copy as provided by law.

(k) Requires certified records to be furnished to any person who is authorized by law to receive them.

SECTION 24. Amends the heading to Section 855.202, Government Code, to read as follows:

Sec. 855.202. LEGAL REPRESENTATION.

SECTION 25. Amends Section 855.202, Government Code, by amending Subsection (b) and adding Subsection (c), as follows:

(b) Requires the attorney to act as the legal advisor to the board of trustees, rather than requiring the attorney to act as the legal advisor to the board and to represent the system in all litigation.

(c) Requires the board of trustees, the director, or the director's designee, subject to Section 402.0212 (Provision of Legal Services--Outside Counsel), to employ or obtain the services of other attorneys or outside legal counsel to represent the retirement system in litigation or advise the retirement system on fiduciary or legal matters.

SECTION 26. Amends Section 855.301, Government Code, by amending Subsection (a) and adding Subsection (d), as follows:

(a) Provides that for purposes of the investment authority of the board of trustees under Section 67, Article XVI, Texas Constitution, "security" or "securities" means any investment instrument within the meaning of the term as defined by Section 4, The Securities Act (Article 581–4, Vernon's Texas Civil Statutes), 15 U.S.C. Section 77b(a)(1), or 15 U.S.C. Section 78d(a)(10). Provides that an interest in a limited partnership or investment contract is considered a security without regard to the number of investors or the control, access to information, or rights granted to or retained by the retirement system. Provides that any instrument or contract intended to manage transaction, currency exchange, or interest rate risk in purchasing, selling, or holding securities, or that derives all of substantially all of its value from the value or performance of one or more securities, including an index or group of securities, is considered to be a security.

(d) Authorizes the board of trustees to delegate discretionary investment to and contract with external investment managers to invest and manage the assets held in trust by the retirement system, and contract with external investment advisors and consultants to assist and advise the board and the staff of the retirement system.

SECTION 27. Amends Section 855.407, Government Code, by amending Subsections (f) and (h) and adding Subsection (i), as follows:

(f) Authorizes the governing body of a municipality that is determined by the actuary to be unable to finance all obligations charged against its account in the benefit accumulation fund within the municipality's current amortization period, rather than within 25 years after the most recent actuarial valuation date, to elect to have the municipality contribute to its account in the benefit accumulation fund at a rate that does not exceed in any year the sum of two percent and the maximum contribution rate specified by Subsection (b) (relating to requiring the actuary annually to determine the municipality normal contribution rate and the prior service contribution rate) and Section 855.501 (Increased Current Service Annuities), if applicable, and that the actuary annually is authorized to determine as necessary to finance the existing levels of benefits before the expiration of the municipality's current amortization period, rather than the expiration of 25 years after the most recent actuarial valuation date.

(h) Makes nonsubstantive changes and authorizes the board, subject to Subsection (i), if the board of trustees adopts any actuarial changes, including changes in actuarial assumptions, or in actuarial method, that would result in any municipality having an increase in its combined contribution rate of more than one-half of one percent of the total compensation paid to its employees based on its current amortization period to, after consultation with the actuary, take any or all of the following actions:

- (1) phase in the increase in the contribution rate for the municipality over a reasonable period of time;
- (2) increase the period for amortizing the municipality's unfunded actuarial accrued liabilities for a period that does not exceed 30 years; or
- (3) allow the municipality to request in writing an increase in the municipality's amortization period, provided that the new amortization period the municipality is authorized to be assigned equals the lesser of:

(A) creates this paragraph from existing text; or

(B) the maximum number of years, not to exceed 30 years, rather than 40 years, specified by the board of trustees. Redesignates Subdivision (2) as Paragraph (B).

Deletes existing text regarding assignment of an amortization period equal to the lesser of certain periods.

(i) Authorizes a municipality to decline to phase in the increase the municipality's amortization period under Subsection (h).

SECTION 28. Repealer: Section 853.105(b) (relating to an employee of a municipality having an effective date of participation in the retirement system), Government Code.

Repealer: Section 854.408(c) (relating to the amount received as the standard occupational disability retirement benefit), Government Code.

Repealer: Section 854.408(d) (relating to a retiree paid an occupational disability retirement annuity), Government Code.

Repealer: Section 854.410(f) (relating to a retiree's disability retirement annuity subject to reduction), Government Code.

SECTION 29. Provides that the change in law made to Chapter 854 (Creditable Service), Government Code, as amended by this Act, apply to a retiree regardless of whether the person retired before, on, or after the effective date of this Act.

SECTION 30. Effective date: January 1, 2020.