

1-1 By: Huffman S.B. No. 1337
 1-2 (In the Senate - Filed February 28, 2019; March 7, 2019,
 1-3 read first time and referred to Committee on State Affairs;
 1-4 April 1, 2019, reported adversely, with favorable Committee
 1-5 Substitute by the following vote: Yeas 9, Nays 0; April 1, 2019,
 1-6 sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17	X			

1-18 COMMITTEE SUBSTITUTE FOR S.B. No. 1337 By: Huffman

1-19 A BILL TO BE ENTITLED
 1-20 AN ACT

1-21 relating to credit in, benefits from, and administration of the
 1-22 Texas Municipal Retirement System.

1-23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-24 SECTION 1. Section 851.001, Government Code, is amended by
 1-25 adding Subdivision (8-a) and amending Subdivision (15) to read as
 1-26 follows:

1-27 (8-a) "Excluded prior service credit" means prior
 1-28 service credit described by Section 853.0015 and:

- 1-29 (A) adopted under Section 853.105(d-1); or
- 1-30 (B) required by Section 853.303(a-1), (a-2), or
- 1-31 (a-3).

1-32 (15) "Amortization period" means, as to a particular
 1-33 municipality, the expiration of the maximum number of years, not to
 1-34 exceed 30 years, ~~[time ending with the later of:~~

- 1-35 ~~[(A) the expiration of 25 years after the~~
- 1-36 ~~effective date of the municipality's participation in the~~
- 1-37 ~~retirement system;~~
- 1-38 ~~[(B) the expiration of 25 years]~~ after the most
- 1-39 recent actuarial valuation date for the municipality~~[-or~~
- 1-40 ~~[(C) the period determined under Section~~
- 1-41 ~~855.407(h)].~~

1-42 SECTION 2. Section 851.004, Government Code, is amended to
 1-43 read as follows:

1-44 Sec. 851.004. POWERS, [AND] PRIVILEGES, AND IMMUNITIES.
 1-45 (a) The retirement system has the powers, privileges, and
 1-46 immunities of a corporation, as well as the powers, privileges, and
 1-47 immunities conferred by this subtitle.

1-48 (b) The board of trustees, director, members of an advisory
 1-49 committee or medical board appointed by the board of trustees, and
 1-50 staff of the retirement system are not liable for any action taken
 1-51 or omission made or suffered by them in good faith in the
 1-52 performance of any duty in connection with any program, system, or
 1-53 benefit administered by the retirement system.

1-54 SECTION 3. The heading to Section 853.003, Government Code,
 1-55 is amended to read as follows:

1-56 Sec. 853.003. BUY BACK OF CREDITED SERVICE PREVIOUSLY
 1-57 CANCELED.

1-58 SECTION 4. Subchapter A, Chapter 853, Government Code, is
 1-59 amended by adding Sections 853.0015 and 853.004 to read as follows:

1-60 Sec. 853.0015. EXCLUDED PRIOR SERVICE CREDIT. If a member

2-1 is entitled to receive excluded prior service credit under this
 2-2 chapter, the excluded prior service credit certified to the member:
 2-3 (1) may only be used to satisfy length of service
 2-4 requirements for vesting and retirement eligibility; and

2-5 (2) may not be used to determine eligibility for or
 2-6 computation of updated service credits.

2-7 Sec. 853.004. RULES FOR CREDITABLE SERVICE. The board of
 2-8 trustees may adopt rules necessary or desirable to implement this
 2-9 chapter.

2-10 SECTION 5. Section 853.105, Government Code, is amended by
 2-11 amending Subsections (a), (c), and (d) and adding Subsection (d-1)
 2-12 to read as follows:

2-13 (a) After receiving a certification of prior service and
 2-14 average prior service compensation under Section 853.104, the
 2-15 retirement system [~~board of trustees~~] shall determine the member's
 2-16 prior service credit.

2-17 (c) ~~The [For an employee of a municipality having an~~
 2-18 ~~effective date of participation in the retirement system after~~
 2-19 ~~December 31, 1975, the] prior service credit is an amount computed~~
 2-20 ~~as a percentage determined as provided by Subsection (d) or, if~~
 2-21 ~~applicable, Subsection (d-1), times a base credit equal to the~~
 2-22 ~~accumulation at three percent interest of a series of monthly~~
 2-23 ~~amounts for the number of months of approved prior service, times~~
 2-24 ~~the sum of:~~

2-25 (1) the rate of contributions required of employees of
 2-26 the municipality for current service; plus

2-27 (2) the rate described in Subdivision (1) times the
 2-28 municipal current service matching ratio.

2-29 (d) The governing body of a municipality [~~having an~~
 2-30 ~~effective date of retirement system participation after December~~
 2-31 ~~31, 1975,]~~ shall determine in the ordinance providing for
 2-32 participation the percentage to be applied against the base credit
 2-33 in computing a prior service credit under Subsection (c). Except as
 2-34 provided by Subsection (d-1), the [The] percentage adopted may be
 2-35 any multiple of 10 percent that does not exceed 100 percent of the
 2-36 base credit, with 10 percent being the minimum percentage a
 2-37 municipality may adopt. A governing body may not adopt a percentage
 2-38 under this subsection until the actuary first determines, and the
 2-39 retirement system [~~board of trustees~~] concurs in the determination,
 2-40 that the municipality is able to fund, before the 30th [~~25th~~]
 2-41 anniversary of the effective date of its participation in the
 2-42 retirement system, all prior service obligations that the
 2-43 municipality proposes to assume under this section.

2-44 (d-1) The governing body of a municipality shall adopt, by
 2-45 ordinance, a zero percent prior service credit if, before joining
 2-46 the retirement system, the municipality provided retirement
 2-47 benefits to its employees that were funded partly or wholly by the
 2-48 municipality. Prior service credit adopted under this subsection
 2-49 is excluded prior service credit.

2-50 SECTION 6. Section 853.106, Government Code, is amended to
 2-51 read as follows:

2-52 Sec. 853.106. PRIOR SERVICE CERTIFICATE. (a) After
 2-53 determining a member's prior service credit under Section 853.105,
 2-54 the retirement system [~~board of trustees~~] shall issue to the member
 2-55 a prior service certificate stating:

2-56 (1) the number of months of prior service credited;

2-57 (2) the average prior service compensation; and

2-58 (3) the prior service credit.

2-59 (b) As long as a person remains a member, the person's prior
 2-60 service certificate is, for purposes of retirement, conclusive
 2-61 evidence of the information it contains, except that a member or
 2-62 participating municipality [~~, before the first anniversary of its~~
 2-63 ~~issuance or modification,]~~ may request that the retirement system
 2-64 correct an error in the prior service [~~board of trustees to modify~~
 2-65 ~~the] certificate in accordance with Section 852.110.~~

2-66 SECTION 7. Section 853.303, Government Code, is amended by
 2-67 adding Subsections (a-1), (a-2), and (a-3) and amending Subsections
 2-68 (c) and (d) to read as follows:

2-69 (a-1) This subsection applies to a participating

3-1 municipality that is required to adopt a zero percent prior service
 3-2 credit under Section 853.105(d-1). If the governing body of a
 3-3 participating municipality subject to this subsection authorizes
 3-4 the granting of prior service credit to an employee under
 3-5 Subsection (a), the employee is only entitled to receive excluded
 3-6 prior service credit.

3-7 (a-2) This subsection applies to a participating
 3-8 municipality that, before having a department of the municipality
 3-9 begin participating in the retirement system, provided other
 3-10 retirement benefits to its employees in that department funded
 3-11 partly or wholly by the municipality. If, on or after January 1,
 3-12 2020, the governing body of a participating municipality subject to
 3-13 this subsection authorizes the granting of prior service credit to
 3-14 an employee under Subsection (a), the employee is only entitled to
 3-15 receive excluded prior service credit.

3-16 (a-3) This subsection applies to a participating
 3-17 municipality that elected to discontinue the participation in the
 3-18 retirement system of persons employed or reemployed after the date
 3-19 of an election to discontinue under Section 852.006(a), provided
 3-20 other retirement benefits to those persons funded partly or wholly
 3-21 by the municipality, and subsequently elects, by ordinance, to have
 3-22 those persons resume participating in the retirement system as
 3-23 employees. If, on or after January 1, 2020, the governing body of a
 3-24 participating municipality subject to this subsection authorizes
 3-25 prior service credit under Subsection (a) to an employee described
 3-26 by this subsection, the employee is only entitled to excluded prior
 3-27 service credit.

3-28 (c) As soon as practicable after a member has filed a
 3-29 statement of prior service under this section, the municipality
 3-30 shall verify the prior service claimed and certify to the
 3-31 retirement system [~~board of trustees~~] the creditable prior service
 3-32 approved and the average monthly compensation paid to the member
 3-33 during the period of the service.

3-34 (d) After receiving a certification of prior service and
 3-35 average monthly compensation under this section, the retirement
 3-36 system [~~board of trustees~~] shall:

3-37 (1) determine the prior service credit allowable to
 3-38 the member in the manner provided by Section 853.105; and

3-39 (2) issue to the member a prior service certificate as
 3-40 provided by Section 853.106.

3-41 SECTION 8. Section 853.401(a), Government Code, is amended
 3-42 to read as follows:

3-43 (a) Except as provided by Subsection (b) and Section
 3-44 853.0015, the governing body of a participating municipality by
 3-45 ordinance may authorize the crediting in the retirement system of
 3-46 updated service credits for service performed for the municipality
 3-47 by members. Beginning January 1, 2022, a member must be a
 3-48 contributing employee of the municipality on the date prescribed by
 3-49 Section 853.402(e) to be eligible to receive an updated service
 3-50 credit authorized under this section. An updated service credit
 3-51 authorized under this section replaces any updated service credit
 3-52 or prior service credit previously authorized for part of the same
 3-53 service.

3-54 SECTION 9. Section 853.402, Government Code, is amended by
 3-55 adding Subsection (g) to read as follows:

3-56 (g) The retirement system may recalculate updated service
 3-57 credit for purposes of determining a member's retirement annuity
 3-58 if:

3-59 (1) the member reestablishes credited service in
 3-60 accordance with Section 853.003 and retires in the same calendar
 3-61 year; and

3-62 (2) any municipality for which the member performed
 3-63 creditable service adopts an ordinance authorizing updated service
 3-64 credits under Section 853.401, 853.404, or 853.601 with an
 3-65 effective date of January 1 of the same calendar year.

3-66 SECTION 10. Section 853.601(a), Government Code, is amended
 3-67 to read as follows:

3-68 (a) The governing body of a participating municipality in
 3-69 ordinances authorizing updated service credits under Section

4-1 853.401 [~~on or after January 1, 1984,~~] may provide that those
 4-2 members who are eligible for such credits on the basis of service
 4-3 with the granting municipality, who have unforfeited credit for
 4-4 prior service or current service with another participating
 4-5 municipality or municipalities by reason of previous employment,
 4-6 and who are contributing members on the date prescribed by Section
 4-7 853.402(e), shall be credited in the retirement system with updated
 4-8 service credit calculated in the manner prescribed by Sections
 4-9 853.401 and 853.402, except that in determining the base updated
 4-10 service credit of the member under Section 853.402(c)(1), all
 4-11 unforfeited credited service performed by the member by reason of
 4-12 previous employment in other participating municipalities prior to
 4-13 the date prescribed by Section 853.402(e) shall be treated as if
 4-14 performed in the service of the municipality adopting the
 4-15 ordinance, and that amount shall be reduced by an amount equal to
 4-16 the sum of:

4-17 (1) 2 times the amount credited to the member's
 4-18 individual account on the date prescribed in Section 853.402(e),
 4-19 which any participating municipality has undertaken to match on a 1
 4-20 to 1 ratio; plus

4-21 (2) 2.5 times the amount credited to the member's
 4-22 individual account, subject to a 1.5 to 1 matching ratio by any
 4-23 participating municipality; plus

4-24 (3) 3 times the amount credited to the member's
 4-25 individual account, subject to a 2 to 1 matching ratio by any
 4-26 participating municipality; and plus

4-27 (4) the sum of all updated service credits, prior
 4-28 service credits, special prior service credits, and antecedent
 4-29 service credits allowed to the member by any other participating
 4-30 municipality by which the member was previously employed and to
 4-31 which the member is entitled.

4-32 SECTION 11. Section 854.006(f), Government Code, is amended
 4-33 to read as follows:

4-34 (f) If a divorce decree or a qualified domestic relations
 4-35 order, as that term is defined by Section 804.001, so provides, the
 4-36 benefit payable to a retiree who is receiving payments of an annuity
 4-37 for the retiree's life with payments to continue after the retiree's
 4-38 death until the death of another person under Section
 4-39 854.104(c)(1), (2), or (5), 854.305(c) [~~(1), (2), or (5)~~], or
 4-40 854.410(c) [~~(1), (2), or (5)~~] may be increased to the amount that
 4-41 would have been payable if the retiree had selected an annuity
 4-42 payable only during the retiree's lifetime if:

4-43 (1) the proceeding in which the decree or order is
 4-44 entered terminates the marriage between the retiree and the person
 4-45 who was designated to receive the continued payment after the
 4-46 retiree's death;

4-47 (2) the decree or order awards the retiree all
 4-48 benefits resulting from the retiree's participation in the
 4-49 retirement system; and

4-50 (3) the decree or order is signed after December 31,
 4-51 1999.

4-52 SECTION 12. Section 854.301, Government Code, is amended by
 4-53 adding Subsection (d) to read as follows:

4-54 (d) A member may not apply for a disability retirement
 4-55 annuity under this subchapter after the date the member's
 4-56 participating municipality begins participation in the
 4-57 occupational disability benefits program under Subchapter E.

4-58 SECTION 13. Sections 854.408(a) and (b), Government Code,
 4-59 are amended to read as follows:

4-60 (a) The standard occupational disability retirement annuity
 4-61 payable under this subchapter is the sum of the member's prior
 4-62 service annuity and current service annuity. A prior service
 4-63 annuity is subject to reduction under Section 855.308(f). A
 4-64 standard occupational disability retirement annuity[+

4-65 [~~(1)~~] is payable throughout the life of the retiree
 4-66 except as otherwise provided by this subchapter[, and

4-67 [~~(2) is reducible as to any month or series of months~~
 4-68 as provided by this section].

4-69 (b) The occupational disability retirement annuity of a

5-1 ~~disability retiree may not be suspended under this subchapter after~~
 5-2 ~~the date the disability retiree attains 60 years of age [During any~~
 5-3 ~~month in which a retiree who is less than 60 years old receives~~
 5-4 ~~earned income subject to taxation under the Federal Insurance~~
 5-5 ~~Contributions Act or that would be subject to those taxes if the~~
 5-6 ~~employer were not an exempt organization, the standard occupational~~
 5-7 ~~disability retirement annuity may not exceed the greater of the~~
 5-8 ~~following amounts:~~

5-9 ~~(1) the amount that is required to be added to the~~
 5-10 ~~retiree's earned income for the month to equal the highest average~~
 5-11 ~~compensation on which the retiree made membership contributions to~~
 5-12 ~~the retirement system during any 12 consecutive months during the~~
 5-13 ~~three calendar years immediately preceding the year in which the~~
 5-14 ~~retiree retired for disability, when the highest average~~
 5-15 ~~compensation is multiplied by the percentage increase, if any, in~~
 5-16 ~~the Consumer Price Index for All Urban Consumers published by the~~
 5-17 ~~Bureau of Labor Statistics of the United States Department of Labor~~
 5-18 ~~from December of the year immediately preceding the effective date~~
 5-19 ~~of the person's retirement to the December that is 13 months before~~
 5-20 ~~a computation is made under this subsection; or~~

5-21 ~~(2) the monthly annuity attributable to the retiree's~~
 5-22 ~~accumulated contributions at the time of the person's retirement].~~

5-23 SECTION 14. Section 854.409, Government Code, is amended to
 5-24 read as follows:

5-25 Sec. 854.409. MEDICAL EXAMINATION [REPORTS REQUIRED] OF
 5-26 RETIREES. (a) The retirement system may require, by written
 5-27 request, a disability retiree under this subchapter who is younger
 5-28 than 60 years of age to undergo a medical examination and provide
 5-29 current medical and other relevant information reaffirming the
 5-30 status of the retiree as meeting the requirements for certification
 5-31 of occupational disability under Section 854.407(b). The
 5-32 retirement system or medical board may designate a physician to
 5-33 perform the examination. The retiree shall pay the cost of the
 5-34 examination, unless the director, at the director's discretion,
 5-35 waives that requirement and has the retirement system pay the cost
 5-36 of the examination [A disability retiree who is less than 60 years
 5-37 old and who accepts employment or during any month receives income
 5-38 that is subject to taxation under the Federal Insurance
 5-39 Contributions Act shall promptly notify the board of trustees in
 5-40 writing if the amount of the earnings, when added to the amount of
 5-41 the standard occupational disability retirement benefit, produces
 5-42 a sum in excess of the average monthly compensation on which the
 5-43 retiree made member contributions during the 12-month period
 5-44 preceding the date of the person's retirement].

5-45 (b) ~~[Each retiree who is receiving an occupational~~
 5-46 ~~disability retirement annuity and is less than 60 years old shall~~
 5-47 ~~make annual reports to the board of trustees on such form as the~~
 5-48 ~~board may prescribe, concerning receipt by the retiree of income~~
 5-49 ~~that is subject to taxation under the Federal Insurance~~
 5-50 ~~Contributions Act or that would be subject to those taxes if the~~
 5-51 ~~employer were not an exempt organization, along with any supporting~~
 5-52 ~~information as may be required by the board of trustees.] If a~~
 5-53 ~~disability retiree refuses to submit to a medical examination or~~
 5-54 ~~fails to provide current medical or other [the] information~~
 5-55 ~~requested under Subsection (a) [required under this section], the~~
 5-56 ~~retirement system [director] may suspend payments of the disability~~
 5-57 ~~annuity as provided by this section [until the retiree provides the~~
 5-58 ~~required information].~~

5-59 (c) If a disability retiree refuses to submit to a medical
 5-60 examination or fails to provide current medical or other
 5-61 information requested under Subsection (a) by the first anniversary
 5-62 of the date the retirement system requested the medical examination
 5-63 or information, the retirement system may suspend payments of the
 5-64 disability annuity until the earlier of the date the retiree:

5-65 (1) attains 60 years of age; or

5-66 (2) submits to a medical examination and provides the
 5-67 requested information.

5-68 (d) If a disability retiree submits to a medical examination
 5-69 and provides the requested information before the fourth

6-1 anniversary of the date the retirement system requested the medical
6-2 examination or information, the retirement system may pay the
6-3 suspended payments of the disability annuity in a lump sum.

6-4 (e) If the medical board finds that a disability retiree
6-5 under this subchapter has experienced medical improvement to the
6-6 extent that the disability retiree no longer meets the requirements
6-7 for certification of occupational disability under Section
6-8 854.407(b), the medical board shall certify the medical board's
6-9 findings and submit the findings to the director. If the director
6-10 concurs in the medical board's findings under this section, the
6-11 director may adopt the findings, and the retirement system may
6-12 suspend payments of the disability annuity and take other action as
6-13 the retirement system, in the retirement system's discretion,
6-14 considers equitable and appropriate to address the situation, until
6-15 the disability retiree attains 60 years of age.

6-16 (f) The suspension of a benefit under this section does not
6-17 suspend payment of a benefit to an alternate payee under a qualified
6-18 domestic relations order.

6-19 SECTION 15. Section 854.410(e), Government Code, is amended
6-20 to read as follows:

6-21 (e) To select an optional occupational disability
6-22 retirement annuity, a member or retiree must make the selection and
6-23 designate a beneficiary on a form prescribed by and filed with the
6-24 retirement system [~~board of trustees~~] before the 31st day after the
6-25 effective date of retirement.

6-26 SECTION 16. Subchapter E, Chapter 854, Government Code, is
6-27 amended by adding Section 854.411 to read as follows:

6-28 Sec. 854.411. RULES FOR OPTIONAL DISABILITY RETIREMENT
6-29 ANNUITIES. The board of trustees may adopt rules necessary or
6-30 desirable to implement this subchapter.

6-31 SECTION 17. Section 855.007, Government Code, is amended by
6-32 amending Subsections (a), (b), and (c) and adding Subsections (e),
6-33 (f), (g), (h), (i), (j), and (k) to read as follows:

6-34 (a) The board of trustees shall hold at least four [~~regular~~]
6-35 meetings [~~in March, June, September, and December of~~] each year and
6-36 additional [~~special~~] meetings when called by the director.

6-37 (b) Before the fifth day preceding the day of a meeting, the
6-38 director shall give written notice of the [~~a special~~] meeting to
6-39 each trustee unless notice is waived.

6-40 (c) Except as otherwise provided by this subtitle, Chapter
6-41 551, or other law, all [~~All~~] meetings of the board must be open to
6-42 the public.

6-43 (e) Notwithstanding Chapter 551 or any other law, the board
6-44 of trustees may hold an open or closed meeting by telephone
6-45 conference call, videoconference, or other similar
6-46 telecommunication method. The board may use a telephone conference
6-47 call, videoconference, or other similar telecommunication method
6-48 for purposes of establishing a quorum or voting or for any other
6-49 meeting purpose in accordance with Subsection (f) and this
6-50 subsection. This subsection applies without regard to the subject
6-51 matter discussed or considered by the board at a meeting.

6-52 (f) A meeting of the board of trustees held by telephone
6-53 conference call, videoconference, or other similar
6-54 telecommunication method:

6-55 (1) is subject to the notice requirements applicable
6-56 to other board meetings;

6-57 (2) may not be held unless notice of the meeting
6-58 specifies the location of the meeting at which at least one trustee
6-59 of the board will be physically present; and

6-60 (3) must be open and audible to the public at the
6-61 location specified in the notice under Subdivision (2) during the
6-62 open portions of the meeting.

6-63 (g) Chapter 551 does not require the board of trustees to
6-64 confer with one or more employees, consultants, or legal counsel of
6-65 the retirement system or with a third party, including
6-66 representatives of an issuer of restricted securities or a private
6-67 investment fund, in an open meeting if the only purpose of the
6-68 conference is to receive information from or question the
6-69 employees, consultants, or legal counsel of the retirement system

7-1 or the third party relating to an investment or a potential
 7-2 investment.

7-3 (h) The board of trustees or a committee of the board may
 7-4 conduct a closed meeting in accordance with Subchapter E, Chapter
 7-5 551, with the retirement system's internal or external auditors to
 7-6 discuss:

7-7 (1) governance, risk management or internal control
 7-8 weaknesses, known or suspected compliance violations or fraud,
 7-9 status of regulatory reviews or investigations, or identification
 7-10 of potential fraud risk areas and audits for the annual internal
 7-11 audit plan; or

7-12 (2) the auditors' ability to perform duties in
 7-13 accordance with the Internal Audit Charter and relevant auditing
 7-14 standards.

7-15 (i) Notwithstanding Chapter 551 or any other law, the board
 7-16 of trustees may conduct a closed meeting to consider and discuss:

7-17 (1) evaluations or duties of trustees or board
 7-18 consultants; and

7-19 (2) self-evaluations of the board as a whole.

7-20 (j) Notwithstanding any other law, Chapter 551 does not
 7-21 apply to an assembly of the board of trustees or one of the board's
 7-22 committees while attending a summit, conference, convention,
 7-23 workshop, or other event held for educational purposes if the
 7-24 assembly or committee does not deliberate, vote, or take action on a
 7-25 specific matter of public business or public policy over which the
 7-26 board of trustees or a committee of the board has supervision or
 7-27 control. This subsection does not apply to a meeting of the board
 7-28 of trustees scheduled or called under the board's bylaws.

7-29 (k) The board of trustees may adopt rules necessary or
 7-30 desirable to implement this section.

7-31 SECTION 18. Section 855.107, Government Code, is amended to
 7-32 read as follows:

7-33 Sec. 855.107. AUDIT. (a) In this section:

7-34 (1) "Audit" means an internal or independent external
 7-35 audit authorized or required by this section or initiated or
 7-36 commissioned by the board of trustees or a committee of the board of
 7-37 trustees. The term includes a financial audit, compliance audit,
 7-38 economy and efficiency audit, effectiveness audit, performance
 7-39 audit, security or risk audit, attestation, management-directed
 7-40 engagement, or investigation.

7-41 (2) "Audit working paper" includes all information,
 7-42 documentary or otherwise, prepared or maintained in conducting an
 7-43 audit or preparing an audit report, including:

7-44 (A) internal or external communications relating
 7-45 to the audit that are made or received in the course of the audit;

7-46 (B) drafts of an audit report or portions of
 7-47 those drafts;

7-48 (C) drafts of audit plans; and

7-49 (D) records of risk assessments.

7-50 (b) Annually, or more often, the board of trustees shall
 7-51 have the accounts of the retirement system audited by a certified
 7-52 public accountant.

7-53 (c) In addition to the financial audit required by
 7-54 Subsection (b), the board of trustees may initiate or commission an
 7-55 audit or investigation of activities, functions, or operations of
 7-56 the retirement system as the board determines appropriate.

7-57 (d) Audit working papers prepared, maintained, or assembled
 7-58 by the retirement system or an agent of the retirement system are
 7-59 not a record of the board of trustees for purposes of Section
 7-60 855.112, and are confidential and excepted from the disclosure
 7-61 requirements of Chapter 552.

7-62 (e) Unless made confidential under other law, an audit
 7-63 report, when received by the board of trustees in its final form, is
 7-64 public information not excepted from the requirements of Section
 7-65 552.021.

7-66 SECTION 19. Section 855.110(c), Government Code, is amended
 7-67 to read as follows:

7-68 (c) The board of trustees, after consultation with the
 7-69 actuary, by rule or by funding policy adopted by the board of

8-1 trustees, may:
 8-2 (1) set open or closed amortization periods not to
 8-3 exceed 30 [25] years;
 8-4 (2) change the period for amortizing a municipality's
 8-5 unfunded actuarial accrued liabilities from an open period to a
 8-6 closed period or from a closed period to an open period;
 8-7 (3) decrease or increase the amortization period,
 8-8 provided the amortization period may not exceed 30 years; and
 8-9 (4) set different amortization periods for unfunded
 8-10 actuarial accrued liabilities arising from different types of
 8-11 events giving rise to liabilities and ladder the amortization of
 8-12 the liabilities.

8-13 SECTION 20. Section 855.112, Government Code, is amended to
 8-14 read as follows:

8-15 Sec. 855.112. RECORDS [~~OF BOARD OF TRUSTEES~~]. (a) The
 8-16 retirement system [board of trustees] shall keep, in convenient
 8-17 form, data necessary for required computations and valuations by
 8-18 the actuary.

8-19 (b) The board of trustees shall keep a permanent record of
 8-20 all of its proceedings.

8-21 (c) Records of the board of trustees are open to the public.

8-22 SECTION 21. Section 855.114, Government Code, is amended to
 8-23 read as follows:

8-24 Sec. 855.114. OBTAINING INFORMATION. (a) In this section,
 8-25 "participant" means a member, former member, retiree, annuitant,
 8-26 beneficiary, or alternate payee of the retirement system.

8-27 (b) The board of trustees shall obtain from participants
 8-28 [members] or participating municipalities information necessary
 8-29 for the proper operation of the retirement system.

8-30 (c) Each participant and participating municipality shall
 8-31 timely provide, in the form and manner specified by the retirement
 8-32 system, information necessary for the proper operation and
 8-33 administration of the retirement system.

8-34 SECTION 22. Section 855.115, Government Code, is amended by
 8-35 amending Subsections (a), (c), and (d) and adding Subsections
 8-36 (a-1), (b-1), (e), (f), (g), and (h) to read as follows:

8-37 (a) In this section, "participant" has the meaning assigned
 8-38 by Section 855.114.

8-39 (a-1) Information contained in records that are in the
 8-40 custody of the retirement system or maintained in the custody of
 8-41 another governmental entity or an administrator or carrier acting
 8-42 in cooperation with or on behalf of the retirement system
 8-43 concerning a participant [an individual member, retiree,
 8-44 annuitant, or beneficiary] is confidential and not subject to
 8-45 public disclosure. Except as otherwise provided by this section,
 8-46 the retirement system is not required to accept or comply with a
 8-47 request for a record or information about a record of a participant,
 8-48 or to seek an opinion from the attorney general because the records
 8-49 of a participant are not public records and are exempt from
 8-50 disclosure and the public information provisions of Chapter 552.
 8-51 Participant information [under Section 552.101, and] may not be
 8-52 disclosed [in a form identifiable with a specific individual]
 8-53 unless:

8-54 (1) the information is disclosed to:

8-55 (A) the participant [individual] or the
 8-56 participant's [individual's] attorney, guardian, executor,
 8-57 administrator, conservator, or other person who the director
 8-58 determines is acting in the interest of the participant
 8-59 [individual] or the participant's [individual's] estate;

8-60 (B) a spouse or former spouse of a participant
 8-61 [the individual] after the director determines that the information
 8-62 is relevant to the spouse's or former spouse's interest in member
 8-63 accounts, benefits, or other amounts payable by the retirement
 8-64 system;

8-65 (C) a governmental official or employee after the
 8-66 director determines that disclosure of the information requested is
 8-67 reasonably necessary to:

8-68 (i) the performance of the duties of the
 8-69 official or employee; or

9-1 (ii) perform the purposes of the retirement
9-2 system; or

9-3 (D) a person authorized by the participant
9-4 [individual] in writing to receive the information; or

9-5 (2) the information is disclosed pursuant to a
9-6 subpoena and the director determines that the participant
9-7 [individual] will have a reasonable opportunity to contest the
9-8 subpoena.

9-9 (b-1) This section does not require the retirement system to
9-10 compile or disclose a list of participants' names, addresses,
9-11 social security numbers, or other descriptive or demographic
9-12 information.

9-13 (c) The director may designate other employees of the
9-14 retirement system to make the necessary determinations under
9-15 Subsection (a-1) [~~a~~].

9-16 (d) A determination and disclosure under Subsection (a-1)
9-17 [~~a~~] may be made without notice to the participant [~~individual~~
9-18 ~~member, retiree, annuitant, or beneficiary~~].

9-19 (e) A record released or received by the retirement system
9-20 under this section may be transmitted electronically, including
9-21 through the use of an electronic signature or certification in a
9-22 form acceptable to the retirement system. An unintentional
9-23 disclosure to, or unauthorized access by, a third party related to
9-24 the transmission or receipt of information under this section is
9-25 not a violation by the retirement system of any law, including any
9-26 law or rule relating to the protection of confidential information.

9-27 (f) The records of a participant remain confidential after
9-28 release to a person, including a governmental official or employee,
9-29 as authorized by this section. The records of the participant may
9-30 become part of a public record of an administrative or judicial
9-31 proceeding, and the participant waives the confidentiality of the
9-32 records, including medical records, unless the records are closed
9-33 to public access by a protective order issued under applicable law.

9-34 (g) The retirement system may require a participant to
9-35 provide the participant's social security number as the retirement
9-36 system considers necessary to ensure the proper administration of
9-37 all services, benefits, plans, and programs under the retirement
9-38 system's administration or as otherwise required by state or
9-39 federal law.

9-40 (h) The retirement system has sole discretion in
9-41 determining if a record is subject to this section. For purposes of
9-42 this section, a record includes any record of the retirement system
9-43 containing information about a participant, living or deceased.

9-44 SECTION 23. Section 855.116, Government Code, is amended to
9-45 read as follows:

9-46 Sec. 855.116. ELECTRONIC INFORMATION [~~FILING OF CERTAIN~~
9-47 ~~DOCUMENTS~~]. (a) In this section:

9-48 (1) "Electronic[~~, "electronic~~] filing" means the
9-49 filing of data by the communication of information by facsimile or
9-50 in the form of digital electronic signals transformed by computer
9-51 and stored on microfilm, magnetic tape, magnetic or solid state
9-52 [~~optical~~] disk, or any other electronic storage or other medium.

9-53 (2) "Electronic record" means any information that is
9-54 recorded in a form for computer processing.

9-55 (b) The board of trustees may adopt rules and procedures
9-56 relating to the electronic filing of documents with the retirement
9-57 system and the delivery of information electronically by the
9-58 retirement system. A document that is electronically filed in
9-59 accordance with those rules and procedures is considered to have
9-60 been properly filed with the retirement system.

9-61 (c) The retirement system may provide confidential
9-62 information electronically to participating municipalities,
9-63 members, retirees, beneficiaries, annuitants, alternate payees,
9-64 and other persons authorized to receive the information and may
9-65 receive information electronically from the individuals or
9-66 entities, as applicable, including by use of an electronic
9-67 signature or certification in a form acceptable to the retirement
9-68 system. An unintentional disclosure to, or unauthorized access by,
9-69 a third party related to the transmission or receipt of information

10-1 under this section is not a violation by the retirement system of
 10-2 any law, including a rule relating to the protection of
 10-3 confidential information.

10-4 (d) Subject to Subsection (f), the retirement system may
 10-5 provide to a member, retiree, or annuitant any information that is
 10-6 required to be provided, distributed, or furnished under Section
 10-7 802.106(a), (b), (d), or (e) by:

10-8 (1) sending the information to an e-mail address or
 10-9 other electronic address furnished to the retirement system by the
 10-10 member, retiree, or annuitant; or

10-11 (2) directing the member, retiree, or annuitant
 10-12 through a written notice, e-mail, or other electronic notice to an
 10-13 Internet website address to access the information.

10-14 (e) Subject to Subsection (f), the retirement system may
 10-15 provide to a member, retiree, or annuitant the information that is
 10-16 required to be provided under Section 802.106(c) by directing the
 10-17 member, retiree, or annuitant through a written notice, e-mail, or
 10-18 other electronic notice to an Internet website address to access
 10-19 the information.

10-20 (f) Electronic notice sent under this section by e-mail or
 10-21 other electronic means may only be sent to an e-mail address or
 10-22 other electronic address furnished to the retirement system by the
 10-23 member, retiree, or annuitant.

10-24 (g) The retirement system may:

10-25 (1) photograph, microphotograph, film, or make an
 10-26 electronic record of any record in the retirement system's
 10-27 possession; or

10-28 (2) preserve the record through electronic document
 10-29 imaging.

10-30 (h) If a record is reproduced under Subsection (g), the
 10-31 retirement system may destroy or dispose of the original record if
 10-32 the system first:

10-33 (1) places the reproduction or electronic record in a
 10-34 file that is conveniently accessible to retirement system
 10-35 personnel; and

10-36 (2) provides for the preservation, examination, and
 10-37 use of the reproduction or stored electronic record.

10-38 (i) A photograph, microphotograph, film, electronic record,
 10-39 or electronic document image of a record received by the retirement
 10-40 system or reproduced under Subsection (g) is equivalent to the
 10-41 original record for all purposes, including introduction as
 10-42 evidence in all courts and administrative agency proceedings. A
 10-43 certified or authenticated copy of the photograph,
 10-44 microphotograph, film, electronic record, or electronic document
 10-45 image is admissible as evidence to the same extent as the original
 10-46 record.

10-47 (j) The director or an authorized representative may
 10-48 certify the authenticity of a record reproduced under this section
 10-49 and may charge a fee for the certified copy as provided by law.

10-50 (k) Certified records shall be furnished to any person who
 10-51 is authorized by law to receive them.

10-52 SECTION 24. The heading to Section 855.202, Government
 10-53 Code, is amended to read as follows:

10-54 Sec. 855.202. LEGAL REPRESENTATION [ADVISER].

10-55 SECTION 25. Section 855.202, Government Code, is amended by
 10-56 amending Subsection (b) and adding Subsection (c) to read as
 10-57 follows:

10-58 (b) The attorney shall act as the legal adviser to the board
 10-59 of trustees [~~and shall represent the system in all litigation~~].

10-60 (c) The board of trustees, the director, or the director's
 10-61 designee may employ or obtain the services of other attorneys or
 10-62 outside legal counsel to represent the retirement system in
 10-63 litigation or advise the retirement system on fiduciary or legal
 10-64 matters.

10-65 SECTION 26. Section 855.301, Government Code, is amended by
 10-66 amending Subsection (a) and adding Subsection (d) to read as
 10-67 follows:

10-68 (a) The board of trustees shall invest and reinvest the
 10-69 assets of the retirement system without distinction as to their

11-1 source in accordance with Section 67, Article XVI, Texas
 11-2 Constitution. For purposes of the investment authority of the
 11-3 board of trustees under Section 67, Article XVI, Texas
 11-4 Constitution, "security" or "securities" means any investment
 11-5 instrument within the meaning of the term as defined by Section 4,
 11-6 The Securities Act (Article 581-4, Vernon's Texas Civil Statutes),
 11-7 15 U.S.C. Section 77b(a)(1), or 15 U.S.C. Section 78c(a)(10). An
 11-8 interest in a limited partnership or investment contract is
 11-9 considered a security without regard to the number of investors or
 11-10 the control, access to information, or rights granted to or
 11-11 retained by the retirement system. Any instrument or contract
 11-12 intended to manage transaction, currency exchange, or interest rate
 11-13 risk in purchasing, selling, or holding securities, or that derives
 11-14 all or substantially all of its value from the value or performance
 11-15 of one or more securities, including an index or group of
 11-16 securities, is considered to be a security.

11-17 (d) The board of trustees may:

11-18 (1) delegate discretionary investment authority to
 11-19 and contract with external investment managers to invest and manage
 11-20 the assets held in trust by the retirement system; and

11-21 (2) contract with external investment advisors and
 11-22 consultants to assist and advise the board and the staff of the
 11-23 retirement system.

11-24 SECTION 27. Section 855.407, Government Code, is amended by
 11-25 amending Subsections (f) and (h) and adding Subsection (i) to read
 11-26 as follows:

11-27 (f) The governing body of a municipality that is determined
 11-28 by the actuary to be unable to finance all obligations charged
 11-29 against its account in the benefit accumulation fund within the
 11-30 municipality's current amortization period [~~25 years after its most~~
 11-31 ~~recent actuarial valuation date~~] may elect to have the municipality
 11-32 contribute to its account in the benefit accumulation fund at a rate
 11-33 that does not exceed in any year the sum of two percent and the
 11-34 maximum contribution rate specified by Subsection (a) and by
 11-35 Section 855.501, if applicable, and that the actuary annually may
 11-36 determine as necessary to finance the existing levels of benefits
 11-37 before the expiration of the municipality's current amortization
 11-38 period [~~25 years after the most recent actuarial valuation date~~].

11-39 (h) Subject to Subsection (i), if [~~If~~] the board of trustees
 11-40 adopts any actuarial changes, including changes [~~change~~] in
 11-41 actuarial assumptions or in actuarial method, that would result in
 11-42 any municipality having an increase in its combined contribution
 11-43 rate of more than one-half of one percent of the total compensation
 11-44 paid to its employees based on its current amortization period, the
 11-45 board may, after consultation with the actuary, take any or all of
 11-46 the following actions [~~and if its governing body adopts a~~
 11-47 ~~resolution requesting a new amortization period, the municipality~~
 11-48 ~~will be assigned a new amortization period equal to the lesser of~~]:

11-49 (1) phase in the increase in the contribution rate for
 11-50 the municipality over a reasonable period of time;

11-51 (2) increase the period for amortizing the
 11-52 municipality's unfunded actuarial accrued liabilities for a period
 11-53 that does not exceed 30 years; or

11-54 (3) allow the municipality to request in writing an
 11-55 increase in the municipality's amortization period, provided that
 11-56 the new amortization period the municipality may be assigned equals
 11-57 the lesser of:

11-58 (A) the number of years required to limit the
 11-59 increase in the combined rate to one-half of one percent of the
 11-60 total compensation paid to its employees; or

11-61 (B) [~~2~~] the maximum number of years, not to
 11-62 exceed 30 [~~40~~] years, specified by the board of trustees.

11-63 (i) A municipality may decline to phase in the increase in
 11-64 the municipality's contribution rate or increase the municipality's
 11-65 amortization period under Subsection (h).

11-66 SECTION 28. Sections 853.105(b), 854.408(c) and (d), and
 11-67 854.410(f), Government Code, are repealed.

11-68 SECTION 29. The changes in law made to Chapter 854,
 11-69 Government Code, as amended by this Act, apply to a retiree

12-1 regardless of whether the person retired before, on, or after the
12-2 effective date of this Act.

12-3 SECTION 30. This Act takes effect January 1, 2020.

12-4

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