

## **BILL ANALYSIS**

C.S.H.B. 766  
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Pensions  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Currently, the fund accounting structure for the Texas County and District Retirement System (TCDRS) requires a system-wide account to be maintained in order to pay a portion of each member's retirement benefit while the remaining portion of the member's benefit is paid out of the employer's account. In order to properly report net pension liability for each employer under new Governmental Accounting Standards Board (GASB) requirements, interested parties contend that TCDRS will need to reallocate assets in the system-wide account back to the respective employer accounts each year. C.S.H.B. 766 seeks to restructure TCDRS fund accounts to facilitate compliance with the new GASB reporting requirements and to provide employers with the data needed to report net pension liability.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 766 amends the Government Code to rename the current service annuity reserve fund, a fund account of the Texas County and District Retirement System (TCDRS), the closed subdivision annuity reserve fund and repurposes the closed subdivision annuity reserve fund and the subdivision accumulation fund to respectively provide for the payment of annuities and benefits to annuitants who were members of a political subdivision that terminated participation with TCDRS and annuitants who are members of a political subdivision participating in TCDRS.

#### **Closed Subdivision Annuity Reserve Fund**

C.S.H.B. 766 repurposes the closed subdivision annuity reserve fund by requiring TCDRS to deposit and hold in that fund all reserves for annuities payable to annuitants who were members of a political subdivision that terminated participation with TCDRS. The bill removes a requirement that TCDRS deposit and hold in the current service annuity reserve fund all reserves for current service annuities in force that were granted before January 1, 1978, and all basic annuities granted on or after that date.

C.S.H.B. 766 requires TCDRS, when a member retires from a political subdivision that has terminated participation with TCDRS, to transfer the member's individual account to the closed subdivision annuity reserve fund.

C.S.H.B. 766 requires the TCDRS board of trustees, for purposes of required annual allocations of net investment income or loss as of December 31 of each year to the account of a political subdivision that voluntarily or involuntarily terminated participation with TCDRS, to determine before December 31 of that year the allocation amount and transfer date for a political subdivision that terminated participation before that date.

C.S.H.B. 766, effective January 1, 2017, establishes that the closed subdivision annuity reserve fund consists of the assets and liabilities of each of the respective accounts in the current service annuity reserve fund for each formerly participating political subdivision that has terminated participation with TCDRS.

### **Subdivision Accumulation Fund**

C.S.H.B. 766 repurposes the subdivision accumulation fund by requiring TCDRS to pay all payments for annuities and other benefit payments granted by a participating political subdivision from the subdivision accumulation fund. The bill removes the requirement that TCDRS pay from the subdivision accumulation fund all payments under prior service annuities granted before January 1, 1978, and currently in force and all payments under supplemental annuities from credits granted by a participating political subdivision. The bill removes the requirement that TCDRS charge payments from the subdivision accumulation fund to the participating political subdivision's account.

C.S.H.B. 766 provides for the transfer of a TCDRS member's accumulated contributions on retirement from the employees saving fund to the subdivision accumulation fund instead of to the former current service annuity reserve fund. The bill removes the requirement that TCDRS transfer an amount equal to the member's current service credit from the subdivision accumulation fund to the former current service annuity reserve fund when a member retires.

C.S.H.B. 766 requires TCDRS, effective January 1, 2017, to transfer, if appropriate, the assets and corresponding liabilities of each participating subdivision's accounts in the closed subdivision annuity reserve fund, formerly known as the current service annuity reserve fund, to the appropriate account in the subdivision accumulation fund, as determined by the TCDRS board of trustees in consultation with the TCDRS actuary. The bill requires TCDRS to make all necessary computations, based on a valuation date of December 31, 2016, to reflect the transfers of assets and liabilities required for a political subdivision participating in TCDRS.

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, January 1, 2016.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 766 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED	HOUSE COMMITTEE SUBSTITUTE
SECTION 1. Section 842.056, Government Code, is amended.	SECTION 1. Same as introduced version.
SECTION 2. Section 844.002(b), Government Code, is amended.	SECTION 2. Same as introduced version.

SECTION 3. Section 844.309(a), Government Code, is amended.

SECTION 3. Same as introduced version.

SECTION 4. Section 844.402, Government Code, is amended.

SECTION 4. Same as introduced version.

SECTION 5. Section 845.305(b), Government Code, is amended.

SECTION 5. Same as introduced version.

SECTION 6. Section 845.307(b), Government Code, is amended.

SECTION 6. Same as introduced version.

SECTION 7. Section 845.308, Government Code, is amended.

SECTION 7. Same as introduced version.

SECTION 8. Section 845.315(a), Government Code, is amended.

SECTION 8. Same as introduced version.

SECTION 9. Section 845.316, Government Code, is amended by amending Subsection (a) and adding Subsection (b).

SECTION 9. Same as introduced version.

SECTION 10. (a) On the effective date of this Act, the current service annuity reserve fund is renamed the closed subdivision annuity reserve fund and consists of the assets and liabilities of each of the respective accounts in the current service annuity reserve fund for each formerly participating subdivision that has terminated participation with the Texas County and District Retirement System under Subchapter A-1, Chapter 842, Government Code.

SECTION 10. (a) Effective January 1, 2017, the current service annuity reserve fund is renamed the closed subdivision annuity reserve fund and consists of the assets and liabilities of each of the respective accounts in the current service annuity reserve fund for each formerly participating subdivision that has terminated participation with the Texas County and District Retirement System under Subchapter A-1, Chapter 842, Government Code.

(b) Effective January 1, 2016, the Texas County and District Retirement System shall transfer, if appropriate, the assets and corresponding liabilities of each participating subdivision's accounts in the closed subdivision annuity reserve fund, formerly known as the current service annuity reserve fund, to the appropriate account in the subdivision accumulation fund, as determined by the board of trustees of the retirement system in consultation with the retirement system's actuary.

(b) Effective January 1, 2017, the Texas County and District Retirement System shall transfer, if appropriate, the assets and corresponding liabilities of each participating subdivision's accounts in the closed subdivision annuity reserve fund, formerly known as the current service annuity reserve fund, to the appropriate account in the subdivision accumulation fund, as determined by the board of trustees of the retirement system in consultation with the retirement system's actuary.

(c) In administering Subtitle F, Title 8, Government Code, as amended by this Act,

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including crediting interest and conducting the actuarial valuation required under that subtitle, the Texas County and District Retirement System shall make all necessary computations to reflect the transfers of assets and liabilities required by Subsection (a) of this section based on a valuation date of December 31, 2015.

SECTION 11. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect January 1, 2016.

including crediting interest and conducting the actuarial valuation required under that subtitle, the Texas County and District Retirement System shall make all necessary computations to reflect the transfers of assets and liabilities required by Subsection (b) of this section based on a valuation date of December 31, 2016.

SECTION 11. Same as introduced version.