

BILL ANALYSIS

Senate Research Center

H.B. 1113
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Intergovernmental Relations
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Engrossed

DIGEST

Currently, the Texas Municipal Retirement System is the statewide system which administers retirement, disability, and death benefits for employees of those Texas cities which voluntarily elect to participate in the system. The plan of each of the 692 participating cities is separately funded. Funding is provided by employee contribution at a percentage of compensation selected by the city, and by employer contributions actuarially determined as necessary to provide the level of benefits selected. H.B. 1113 would require a city to meet its funding requirements within a certain amortization period.

PURPOSE

As proposed, H.B. 1113 outlines provisions regarding participation and credit in, contributions to, and benefits and administration of the Texas Municipal Retirement System.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the board of trustees of Texas Municipal Retirement System under SECTION 6 (Section 853.506, Government Code) and under SECTION 14 (Section 855.607, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 851.001(15), Government Code, to redefine "amortization period."

SECTION 2. Amends Section 853.305, Government Code, by amending Subsections (a) and (c) and adding Subsection (f), to authorize the governing body of a participating municipality to authorize the granting of restricted prior service credit to an employee who is a member of the Texas Municipal Retirement System (retirement system) for certain service previously performed. Deletes text authorizing the governing body of a participating municipality to authorize the granting of restricted prior service credit to an employee who is a member of the retirement system for certain service previously performed. Requires a member seeking to establish restricted prior service credit under Subsection (a)(1) to obtain from the official custodian or personnel records of the entity, rather than clerk or secretary of the city or town, or from the similar official of a council of governments or airport board or authority, for which the previous service was performed a detailed statement of the service, verified by that official, and file the statement with the clerk or secretary of the participating municipality by which the member is employed. Defines "full-time, paid employee."

SECTION 3. Amends Section 853.403(a), Government Code, to prohibit the State Pension Review Board (board) from approving an ordinance unless the actuary first determines, and the board concurs in the determination, that all obligations charged against the municipality's account in the municipality accumulation fund, can be funded by the municipality within its amortization period as in effect on, rather than before the 25th anniversary of, the date the updated service credits take effect.

SECTION 4. Amends Section 853.404(d), Government Code, to make a conforming change.

SECTION 5. Amends Section 853.505(b), Government Code, to require military service credit allowed under Section 853.501 to have no monetary value in calculating the annuity payments allowable to the member and shall not be used in other computations except as provided by Section

853.506. Makes a nonsubstantive change.

SECTION 6. Amends Chapter 853F, Government Code, by adding Section 853.506, as follows:

Sec. 853.506. CURRENT SERVICE FOR REEMPLOYED VETERANS. Provides that notwithstanding any provision of this subtitle to the contrary, contributions, benefits, and service credit for qualified military service will be provided in accordance with Section 414(u), Internal Revenue Code of 1986 (26 U.S.C. Section 414). Authorizes the board of trustees to adopt rules that modify the terms of this subtitle for the purpose of compliance with the Uniformed Services Employment and Reemployment Rights Act (38 U.S.C. Section 4301 et seq.).

SECTION 7. Amends Sections 854.007(d) and (e), Government Code, to delete text prohibiting an annual benefit payable by the retirement system from exceeding 100 percent of the former member's highest average annual compensation, including annual cost of living increases after separation from service. Provides that the dollar limitation is the actuarial equivalent of an annual benefit beginning at age 62 as described by Subsection (d), rather than Subsection (d)(1) for a person at age 62. Prohibits a reduction under this subsection from exceeding that required by the Internal Revenue Code of 1986. Deletes text prohibiting a reduction from reducing the dollar limitation below \$75,000 if the benefit begins at or after age 55 or, if the benefit begins before age 55, the actuarial equivalent of a \$75,000 limitation beginning at age 55.

SECTION 8. Amends Chapter 854A, Government Code, by adding Section 854.008, as follows:

Sec. 854.008. PARTIAL LUMP-SUMP DISTRIBUTION ON RETIREMENT. Outlines provisions regarding partial lump-sum distribution on retirement.

SECTION 9. Amends Section 854.104, Government Code, to set forth certain annuities an eligible person is authorized to select, rather than an optional annuity approved by the board of trustees, the entire benefit of which is certified by the actuary as the actuarial equivalent of the annuity to which the person is entitled. Outlines provisions regarding increased benefits for a certain retiree.

SECTION 10. Amends Section 854.203(g), Government Code, to make a conforming change.

SECTION 11. Amends Section 854.305, Government Code, by amending Subsection (c) and adding Subsection (g), to outline provisions regarding increased benefits for a certain retiree. Makes a conforming change.

SECTION 12. Amends Section 854.410, Government Code, by amending Subsection (c) and adding Subsection (g), to make conforming changes.

SECTION 13. Amends Section 855.407, Government Code, by adding Subsections (g) and (h), to authorize the governing body of a municipality to elect to have the municipality contribute to its account in the municipality accumulation fund at the combined rate of total compensation paid to its employees as the actuary determines is necessary to fund all obligations chargeable to its account in the fund within the municipality's amortization period, regardless of other provisions of this subtitle. Provides that if the board of trustees adopts any change 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, and if its governing body adopts a resolution requesting a new authorization period, the municipality will be assigned a new authorization period equal to the lesser of the number of years required to limit the increase in the combined rate to one-half of one percent of the total compensation paid to its employees, or the maximum number of years, not to exceed 40 years, specified by the board of trustees.

SECTION 14. Amends Chapter 855G, Government Code, by adding Sections 855.606 and 855.607, as follows:

Sec. 855.606. APPEAL OF ADMINISTRATIVE DECISION. Provides that a decision of the board of trustees denying or limiting membership, service credit, eligibility for or the amount of benefits payable by the retirement system, or regarding to whom benefits should be paid is a decision in a contested case as defined by the administrative procedure law, Chapter 2001, and is subject to judicial review under the substantial evidence rule in accordance with Sections 2001.174-2001.177.

Sec. 855.607. PLAN QUALIFICATION. Sets forth provisions regarding plan qualification.

SECTION 15. Repealer: Section 852.004(c), Government Code (Supplemental Death Benefits Fund).

SECTION 16. Effective date: September 1, 1997.

SECTION 17. Emergency clause.