

BILL ANALYSIS

Senate Research Center
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S.B. 574
By: Armbrister
Intergovernmental Relations
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As Filed

DIGEST

Currently, the Texas Municipal Retirement System is regulated by Title 8G of the Government Code. This bill revises regulations regarding the participation and credit in, contributions to, and benefits and administration of the Texas Municipal Retirement System.

PURPOSE

As proposed, S.B. 574 revises regulations regarding the 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 the Texas Municipal Retirement System in SECTION 15 (Section 855.116(b), Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 851.001, Government Code, by adding Subdivision (16), to define "member."

SECTION 2. Amends Chapter 852B, Government Code, by adding Section 852.110, as follows:

Sec. 852.110. CORRECTION OF ERRORS. Provides that if, as a result of a reporting error on the part of a participating municipality, a person has not received credited service or current service credit or has received less than the correct amount of current service credit for months in which the person performed service as an employee of the municipality, the Texas Municipal Retirement System (retirement system) shall correct the error as authorized by this section. Prohibits a correction from being made as to current service performed, or current service credit that should have been received, more than four years before the date an application for the correction is received by the retirement system. Prohibits a correction described by Subsection (a) from being made unless the retirement system receives, in addition to the application, each of the items required under Subsection (d) and one of certain documents listed, except as provided by Subsection (g). Prohibits a correction described by Subsection (a) from being made unless the retirement system receives certain items. Requires a municipality that is the subject of an agreement judgment, or order described by Subsection (c), to file the supplemental report and submit the payments described by this section by a certain date. Requires the retirement system if, as a result of a reporting error on the part of a participating municipality, a person has not received prior service credit, on written application to the retirement system, accompanied by satisfactory evidence of the prior service, to correct the error if the retirement system receives the application for the correction within a certain time period. Authorizes the correction of an error affecting not more than three monthly reports within a period of not more than three consecutive months to be made on the basis of the application alone if the application, the supplemental report, and the payments required by this section are received by the retirement system by a certain date.

SECTION 3. Amends Section 853.401(c), Government Code, to authorize the percentage of base updated service credits used in computing updated service credits for employees of the municipality to be 50 percent, 75 percent, or 100 percent of a base updated service credit, rather than any multiple of 10 percent that does not exceed 100 percent. Provides that if the governing body of a municipality has specified a different percentage in an ordinance adopted under Section 853.404(a) and in effect on December 31, 1999, the percentage used in computing updated service credits for employees of that

municipality remains in effect until changed or discontinued under Section 853.404.

SECTION 4. Amends Section 853.402(b), Government Code, to provide that the average updated service compensation of a member is computed as the monthly average compensation if the member did not perform service in each of the 36 months described in Subdivision (1) or did not perform any service within the 36-month period, for the most recent 36 months before the date prescribed by Subsection (e) in which the member performed service. Makes conforming changes.

SECTION 5. Amends Section 854.002, Government Code, by adding Subsection (d), to require a person to receive from the retirement system a single payment equal to the sum of certain credits if, on the date of that person's retirement, the sum is \$5,000 or less, instead of an annuity, notwithstanding any other provision of this subtitle.

SECTION 6. Amends Section 854.004(c), Government Code, to delete text providing that an annuity is payable on the month immediately preceding the month in which the death occurs.

SECTION 7. Amends Section 854.006, Government Code, by adding Subsection (f) and (g), to authorize the benefit payable to a retiree who is receiving payments of an annuity for the retiree's life with payments to continue after the retiree's death until the death of another person under certain sections to be increased to the amount that would have been payable if the retiree had selected an annuity payable only during the retiree's lifetime under certain conditions, if a divorce decree or a qualified domestic relations order so provides. Provides that a decree or order under Subsection (f) applies only to annuity payments made after the date the retirement system receives and approves the decree or order as complying with Subsection (f).

SECTION 8. Amends Section 854.008(b), Government Code, to prohibit the amount of a lump-sum distribution under this section from exceeding three-fourths, rather than one-half, of the total contributions and accumulated interest in the member's individual account in the employees saving fund at the time of the member's retirement.

SECTION 9. Amends Section 854.203(b), Government Code, to provide that the amount of annuity increase under this section is computed as the sum of the prior and current service annuities on the effective date of retirement of the person on whose service the annuities are based, multiplied by a certain percentage in the Consumer Price Index and 30 percent, 50 percent, or 70 percent, as specified by the governing body in the ordinance, except that if the governing body has specified a different percentage in the ordinance adopted under Section 853.404(c) and in effect on December 31, 1999, the percentage used in computing annuity increases for retirees of that municipality remains in effect until changed or discontinued under Section 853.404. Deletes text setting forth the percentage as not less than 10 percent or more than 70 percent and is a multiple of 5 percent.

SECTION 10. Amends Section 854.204, Government Code, as follows:

Sec. 854.204. New heading: **OPTIONAL BENEFIT FOR DESIGNATED BENEFICIARY OF VESTED EMPLOYEE**. Authorizes a person eligible to file an election under Subsection (b), by written notice filed with the board of trustees by a certain date, to elect to receive a reduced annuity under this subsection instead of the accumulated deposits or the annuity under Subsection (b). Provides that an annuity under this subsection is payable monthly during the person's lifetime in the amount that would have been payable to the person if the member had been eligible to retire and had retired, on a certain date, under an optional annuity. Provides that if a member to whom this section applies has designated as beneficiary a person to whom a retirement plan that is qualified under Section 401, Internal Revenue Code of 1986, cannot make payments for a period greater than five years after the date of the member's death without losing its qualified status, and the beneficiary elects to receive an annuity under Subsection (b) or (d), the annuity payable by the retirement system is the actuarial equivalent of the monthly payments that the beneficiary would have received if the member had retired on the date the annuity begins under the optional annuity described by Section 854.104(c)(4), to be paid over 60 months. Provides that if a member to whom this section applies has designated more than one person as beneficiaries, and those persons elect to receive an annuity under Subsection (b) or (d), the annuity payable by the retirement system is the actuarial equivalent of the monthly payments that the beneficiaries would have received if the member had retired on the date the annuity begins under the optional annuity described by Section 854.104(c)(4), to be paid over 180 months. Makes conforming changes.

SECTION 11. Amends Section 854.304(c), Government Code, to provide that if a retiree dies before 60 monthly payments of a standard disability retirement annuity have been made, the remainder of the 60 monthly payments is payable to the retiree's designated beneficiary.

SECTION 12. Amends Section 854.305(c), Government Code, to authorize an eligible person to select an optional annuity that provides that the annuity is payable only during the retiree's lifetime, among other options.

SECTION 13. Amends Sections 854.408(a) and (b), Government Code, to provide that a standard occupational disability retirement annuity is payable throughout the life of the retiree, but if the retiree dies before 60 monthly payments have been made, the remainder of the 60 monthly payments is payable to the retiree's designated beneficiary and is reducible as to any month or series of months as provided by this section. Prohibits the standard occupational disability retirement annuity from exceeding the greater of the amount that is required to be added to the retiree's earned income for the month to equal the highest average compensation on which the retiree made membership contributions to the retirement system during any 12 consecutive months for a certain time period, when the highest average compensation is multiplied by the percentage increase, if any, in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor for a certain time period or the monthly annuity attributable to the retiree's accumulated contributions at the time of the person's retirement. Deletes text providing that the standard occupational disability retirement annuity payable under this subchapter is payable monthly during the lifetime of the retiree, but reduced as to any month or series of months as provided in this section.

SECTION 14. Amends Section 854.410(c), Government Code, to authorize an eligible person to select an optional annuity that provides that the annuity is payable only during the retiree's lifetime.

SECTION 15. Amends Chapter 855B, Government Code, by adding Section 855.116, as follows:

Sec. 855.116. ELECTRONIC FILING OF CERTAIN DOCUMENTS. Defines "electronic filing." Authorizes the board of trustees to adopt rules and procedures relating to the electronic filing of documents with the retirement system. Provides that a document that is electronically filed in accordance with those rules and procedures is considered to have been properly filed with the retirement system.

SECTION 16. Amends Section 855.205(d), Government Code, to require the actuary, on the basis of rates and tables adopted by the board, to compute the current interest rate in accordance with Section 855.316(b), rather than Section 855.316(c), and to delete text requiring the actuary to certify the amount of each annuity and benefit granted by the board. Makes conforming changes.

SECTION 17. Amends Sections 855.306(b) and (c), Government Code, to require the retirement system, on a person's retirement under this subtitle on a date other than December 31, to credit to that person's individual account interest and supplemental interest, if any, at the rate credited on members' accounts for the preceding year. Sets forth requirements for the interest. Makes a conforming change.

SECTION 18. Amends Section 855.311, Government Code, by adding Subsection (g), to require distribution and payment to an annuitant under Subsection (e) to be based on the ratio that the number of months elapsing since the effective date of the person's retirement bears to the number 12 if that person retired under this subtitle during the year for which the distribution and payment is made.

SECTION 19. Amends Section 855.315, Government Code, by adding Subsection (d) and (e), to require the retirement system to make payments by electronic funds transfer to annuitants whose first annuity payment under this subtitle occurs after January 1, 2000. Authorizes the retirement system to use electronic funds transfers to make other payments. Authorizes the retirement system, notwithstanding any requirement to make a payment by electronic funds transfer, to make payment by vouchers, checks, or warrants, to an annuitant, if making the payment by electronic funds transfer would be impractical for the retirement system, or if the annuitant properly notifies the retirement system that certain conditions exist.

SECTION 20. Amends Section 855.407(g), Government Code, to require, rather than authorize, a municipality that begins participation in the retirement system on or after December 31, 1999, and any municipality already participating in the retirement system on that date whose governing body elects to have the municipality do so to contribute to its account in the municipality accumulation fund at a certain

rate.

SECTION 21. Effective date: December 31, 1999.

SECTION 22. Emergency clause.