

BILL ANALYSIS

Senate Research Center
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DIGEST AND PURPOSE

The Texas County and District Retirement System(TCDRS), composed of 252 county employers and as many special district employers, reviews its law on an ongoing basis in an attempt to make it easier for the members and employers to use and to provide optional benefits that are requested by the members and employers. The system then incorporates those changes into a bill that it presents for consideration by the legislature. As proposed, S.B. 523 incorporates into the system the following board recommendations for this session:

- allow TCDRS members who have worked for more than one participating employer to choose to retire or receive a refund from any individual account (or any combination) rather than having to retire or receive a refund simultaneously from all accounts;
- allow retirees who have returned to work for the same employer to collect a lump-sum distribution of their suspended annuity payments after they terminate TCDRS-covered employment with that employer;
- give future retirees a “pop-up” pension option that would allow a retiree who chooses an annuity with payments throughout the life of a beneficiary to begin receiving a higher standard benefit payment if his or her beneficiary dies first;
- increase from \$2,500 to \$5,000 the death benefit for retirees covered under the Supplemental Death Benefit Program;
- allow employers whose contribution rate is actuarially determined annually to elect a higher optional employer contribution rate of any percentage (current law requires optional employer rate to any whole-number percentage above the required rate);
- require new retirees to receive pension payments by electronic funds transfer (direct deposit) starting with retirements after January 1, 2002 (TCDRS would waive the requirement for those unable to establish a qualifying account at a financial institution or for those for whom electronic deposits would be impractical or more costly than receiving a monthly check);
- allow employers the option to correct enrollment and/or service credit errors that are more than four years old;
- modify the penalty for late reporting or contributing to waive the penalty if the lateness or non-receipt is the fault of the mail or delivery service used; and
- provide an annuity payment for the month in which an annuitant dies (current law provides for payment only through the month before the month in which death occurs).

Numerous technical changes are also proposed in S.B. 523 to: clarify definitions to more accurately reflect their use in the text of the law; move substantive provisions from definitions to the portion of the law reflecting that substance; combine and simplify provisions and remove redundant reiterations of the

same provision; eliminate obsolete provisions; and ensure greater consistency with applicable state and federal law.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the board of trustees appointed to administer the Texas County and District Retirement System in SECTION 3 (Section 841.010, Government Code), SECTION 5 (Section 842.002, Government Code), SECTION 35 (Section 844.309, Government Code), and SECTION 52 (Section 845.505, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 841.001, Government Code, to redefine “actuarial equivalent,” “compensation,” “credited service,” “employee,” “subdivision,” and “vested member.” Defines “accumulated contributions,” “beneficiary,” “retirement annuity,” “service credit,” and “supplemental death benefit program.” Deletes the definition of “annual compensation.”

SECTION 2. Amends Section 841.008, Government Code, as follows:

Sec. 841.008. New heading: APPLICATIONS BY, AND PAYMENTS TO, PERSONS OTHER THAN MEMBERS, BENEFICIARIES, AND ANNUITANTS. Authorizes the board of trustees of the Texas County and District Retirement System (board of trustees of the retirement system) to accept an application for any benefit under this subtitle that is signed on behalf of a person entitled to the benefit by certain named persons under certain stated conditions. Sets forth restrictions on to whom the director is authorized to make payment of any annuity or other benefit if a person entitled to a benefit is not mentally capable of managing the person’s own affairs and if it is further established that the estate of the person is insufficient to justify the expense of establishing a guardianship or continuing a guardianship after letters of guardianship have expired. Authorizes the director, if requested by certain persons and if the director determines that it is in the best interest of the person entitled to the benefit, to make payments directly to the trustee of certain trusts. Authorizes the director to require proof of facts used to establish a right under this section by evidence the director determines is satisfactory.

SECTION 3. Amends Section 841.010, Government Code, to require all distributions under this subtitle, notwithstanding any other provision of this subtitle, to be determined and made in accordance with Section 401(a)(9) of the Internal Revenue Code of 1986 (26 U.S.C. Section 401) and the regulations adopted under that provision, including the minimum incidental death benefit distribution requirement of Section 401(a)(9)(G) of that code. Authorizes the board of trustees to adopt rules relating to the selection, payment, and distribution of benefits to ensure compliance with federal statutes and regulations.

SECTION 4. Amends Section 841.101, Government Code, by adding a new Subsection (c) and redesignating current Subsection (c) as Subsection (d), as follows:

(c) Provides that a person commits an offense if the person knowingly fails to return money received from the retirement system to which the person is not entitled.

SECTION 5. Amends Section 842.002, Government Code, to authorize the board to adopt rules concerning the powers and duties of a participating subdivision to adopt orders or resolutions, make elections, and otherwise exercise decision-making authority concerning the rights and benefits of the members and annuitants under a plan adopted or assumed by the subdivision.

SECTION 6. Amends Sections 842.004(a) and (d), Government Code, as follows:

(a) Authorizes a subdivision participating in the retirement system to elect to participate in the supplemental death benefits fund.

(d) Authorizes a subdivision that elects to participate in the fund to begin participation on the first day of any month after the month in which the subdivision gives notice of its election to the board of trustees.

SECTION 7. Amends Section 842.104, Government Code, by amending Subsection (a) and adding Subsection (e), as follows:

(a) Authorizes the commissioners court of the county to elect to deny membership to the employees of a county hospital governed by Chapter 263 (County Hospitals and Other Health Facilities), Health and Safety Code, rather than Chapter 5, Title 71 (County Hospital), Revised Statutes, if a county elects to participate in the retirement system.

(e) Provides that the commissioners court is the governing body of a county hospital for the purposes of this subtitle.

SECTION 8. Amends Sections 842.106, 842.107, 842.108, 842.109, 842.110, and 842.111, Government Code, as follows:

Sec. 842.106. (a) Provides that a person who is an employee eligible for membership and eligible to receive credit in this retirement system for service performed for a participating subdivision is not eligible for credit for that service in another public retirement system described by Section 801.001 that is at least partly supported by the subdivision at public expense.

(b) Authorizes a person to simultaneously be a member of this retirement system and another state or local retirement system authorized under Section 67 (State and Local Retirement Systems), Article XVI, Texas Constitution. Authorizes a person to receive a benefit from this system only to the extent that the amount of the benefit is computed solely on the member's compensations and accumulated contributions in the system. Prohibits service credited by another retirement system from being used to determine eligibility for a benefit in this retirement system except as provided by Chapter 803. Deletes language regarding a person being authorized to be a member of and receive credit for service performed during the same period in the retirement system, the federal program providing old age survivors insurance, the Employees Retirement System of Texas, and under certain conditions, and either the Judicial Retirement System of Texas Plan One or Plan Two.

(c) Deletes Subsection (c) regarding the definition of a "prosecuting attorney."

Sec. 842.107. Deletes text regarding election not to become a member. Redesignates existing Subsection (c) as new Subsection (a).

Sec. 842.108. New heading: **WITHDRAWAL OF ACCUMULATED CONTRIBUTIONS.** (a) Authorizes a person, or the beneficiary of a person, whose membership terminated as a result of absence from service, to submit an application to withdraw all of the person's accumulated contributions. Makes conforming changes.

(b) Authorizes a member who has separated from employment with a participating subdivision to submit an application to withdraw the member's accumulated contributions attributable to service with that subdivision. Provides that a withdrawal cancels the person's credited service and service credit attributable to service with that

subdivision on the date the retirement system makes payment of any portion of the member's accumulated contributions. Prohibits credited service that has been canceled from being used to determine eligibility for a later retirement unless it is reestablished under Section 843.003.

(c) Sets forth guidelines as to how interest is computed on the balance in the member's individual account.

(d) Makes conforming changes.

Sec. 842.109. Sets forth requirements for a person terminating membership in the retirement system. Prohibits a person's membership in the retirement system from extending beyond March 31 of the year following the later of the year in which the person attains age 70-1/2 or the year in which the person is no longer an employee of any participating subdivision. Makes conforming changes.

842.110. (a) Defines "reemploying subdivision."

(b) Makes conforming changes.

(c) Requires the retirement system to transfer annuity payments that become due and would be payable to the retiree except for the suspension to a non-interest-bearing account in the endowment fund.

(d) Requires the retirement system to establish an individual account for the member in the employees saving fund for accumulated contributions credited after reemployment with the subdivision. Authorizes a member, after terminating employment with the reemploying subdivision, to elect either an additional standard or optional service retirement annuity based on the additional service with the reemploying subdivision or a refund of the member's accumulated contributions since reemployment. Deletes language requiring member contributions under Section 845.403 to be made on all compensation paid to the employee by the subdivision at the same rate as required of other employees of the subdivision. Deletes language regarding the individual account being credited with interest annually at the same rate and manner as are the accounts of other members. Deletes language requiring compensation paid to the employee by the subdivision being included in computing the monthly contributions the subdivision makes to the subdivision accumulation fund.

(e) Provides that, after termination of employment with the reemploying subdivision and filing with the retirement system an application for resumption of the suspended annuity, a person described by Subsection (b) is entitled to receive the payments of the suspended annuity that had been transferred to the endowment fund and future payments of the suspended annuity. Makes conforming changes.

(f) Provides that, beginning with the month following the month in which a retiree's employment is terminated with a reemploying subdivision by death or other separation from service, future payments of the suspended annuity become payable to each person entitled to the annuity in the same amounts payable if the annuity had not been suspended. Deletes language regarding an increase allowed under Section 844.208. Deletes language regarding the prohibition of payment of the resumed benefit being made for any month during which the payment was suspended under this section.

(g) Provides that, if a person with credited service under this section dies before a payment under Subsection (e) is made, monthly payments of a suspended annuity will resume under the terms of the retirement annuity originally selected by the decedent, or

a person may make an election under Subsection (e) in the order of preference provided by Section 844.407. Makes a conforming change regarding beneficiaries, spouses, and/or executors or administrators of a persons's estate electing payment. Deletes language regarding additional service retirement benefits.

Deletes Subsections (h) and (i) regarding time limits on retirement if a person becomes an employee of a reemploying subdivision after that person's retirement.

Sec. 842.111. (a) Makes conforming changes.

(b) Provides that, after terminating employment with a participating subdivision, a member described by Subsection (a) is eligible to apply for and receive an additional standard or optional service retirement annuity or a refund of the member's accumulated contributions based on service with the subdivision, without regard to any age or credited service requirement. Makes conforming changes.

(c) Authorizes a person, on the death of a member described by Subsection (a), to apply for and receive an optional service retirement annuity or a refund of the decedent's accumulated contributions with the subdivision, without regard to any age or credited service requirement. Makes conforming changes. Deletes language authorizing a person to resume receiving a suspended annuity under certain conditions.

SECTION 9. Amends Sections 842.112(b), (j), and (k), Government Code, as follows:

(b) Prohibits, except as provided by Subsection (j) or Section 843.005, 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, on forms approved by the retirement system's board of trustees, for the correction is received by the retirement system.

(j) Requires the system, if, as a result of a suit against a participating subdivision in a court of competent jurisdiction or as a result of a complaint or grievance against a participating subdivision filed with the United States Equal Opportunity Commission, the Commission on Human Rights, or a county civil service commission, a judgment or order is issued or a settlement agreement is executed, the terms of which require that an employee receive back pay or that a person be employed or reemployed for a specific period and require that the person receive service credit toward retirement based on the back pay or both service credit and credited service for the specified period of employment or reemployment on written application to the retirement system, to grant service credit and credited service under certain conditions. Makes conforming changes.

(k) Provides boundaries regarding forfeited credit based on service performed for more than one participating subdivision.

SECTION 10. Amends Section 842.201(e), Government Code, to define "prosecuting attorney."

SECTION 11. Amends Section 843.002, Government Code, as follows:

Sec. 843.002. New heading: **BENEFIT ELIGIBILITY AND AMOUNT**. Provides that a member's eligibility is based on the member's amount of credited service and attained age on the effective date of retirement. Provides what the monthly amount of a standard retirement annuity is based upon and how such is computed.

SECTION 12. Amends Chapter 843A, Government Code, by adding Sections 843.004 and

843.005, as follows:

Sec. 843.004. COMPOSITION OF SERVICE CREDIT. Provides what elements constitute service credit.

Sec. 843.005. ADJUSTMENT TO CREDITED SERVICE AND CURRENT SERVICE CREDIT. (a) Authorizes the governing body of a participating subdivision by order or resolution to authorize the establishment of credited service and current service credit for a particular person who has not received the correct amount of credited service or current service credit for all current service performed for the subdivision and who is barred from doing so by the limitation period provided by Section 842.112(b).

(b) Requires the governing body, in order to authorize the establishment of credited service and current service credit under this section, to determine that the reporting error occurred without the knowledge or fault of the person and that the authorization is in the best interests of the subdivision. Requires the subdivision to verify the amounts of service and the compensation received by the person for those months for which credited service and current service credit may be established under this section.

(c) Requires the order or resolution to include the findings of the governing body, the name of the person to whom the authorization relates, and the months for which credited service and current service credit may be established and to state the total compensation paid to the person for those months.

(d) Provides that the service credit attributable to the member contributions deposited under this section is determined using the credit percentages in effect for the month in which a deposit is made.

(e) Requires the retirement system to receive, for credited service and service credit under this section, not later than the last day of the calendar year in which an order or resolutions adopted by the governing body of a participating subdivision, certain monies for deposit in certain accounts.

SECTION 13. Amends Section 843.103, Government Code, to require a member claiming credit for prior service to file a detailed statement of the service with the treasurer or other disbursing officer of the subdivision for which the service was performed before the fifth anniversary of the date a member becomes eligible to claim prior service credit.

SECTION 14. Amends Section 843.105(c), Government Code, to delete language prohibiting the total allocated prior service credits for members claiming prior service with the subdivision from exceeding a certain amount.

SECTION 15. Amends Section 843.304, Government Code, as follows:

Sec. 843.304. New heading: CERTIFICATION OF SERVICE AND AVERAGE COMPENSATION FOR MEMBER OF OPTIONAL CLASS. Deletes language regarding the amount of prior service approved and the average local compensation being verified to the board of trustees after the filing of a statement of prior service. Deletes language requiring the board of trustees to determine the maximum and allocated local service credits for the member.

SECTION 16. Amends Sections 843.403(b) and (c), Government Code, as follows:

(b) Provides that the current service credit of a member is an amount equal to a percentage of the contributions made by the member to the retirement system during a calendar year.

(c) Makes a conforming change regarding multiple matching credit.

SECTION 17. Amends Section 843.501, Government Code, to authorize a member to establish credited service in the retirement system for service performed as a member of the legislature. Requires a member claiming credited service for previous legislative service to file a detailed statement of the service with the subdivision by which the member is currently employed. Makes a conforming change.

SECTION 18. Amends Section 843.601(e), Government Code, to make conforming changes.

SECTION 19. Amends Section 843.602(d), Government Code, to make a conforming change.

SECTION 20. Amends Section 844.001, Government Code, regarding the types of benefits payable by the retirement system.

SECTION 21. Amends Section 844.002, Government Code, by adding Subsection (e), as follows:

(e) Provides that a separate retirement annuity is payable for each participating subdivision from which a person retires under this subtitle or is considered to have retired.

SECTION 22. Amends Sections 844.003(a) and (d), Government Code, as follows:

(a) Provides that, except as provided by Subsections (b) and (d), the effective date of a member's service retirement is the date the member designates at the time the member applies for retirement under Section 844.101, but the date must be the last day of a calendar month and may not precede the date the member terminates employment with the subdivision from which the member seeks to retire.

(d) Authorizes a member who is eligible for service retirement and who terminates employment with a participating subdivision to apply for and receive a service retirement annuity based on service for that subdivision despite the fact that the member is or becomes an employee of another participating subdivision. Authorizes credited service with the member's new employer to be used in determining eligibility for service retirement. Deletes language prohibiting service from being used in determining eligibility for the annuity and prohibiting contributions for the service from being used in determining the amount of the annuity. Authorizes a member who is eligible for service retirement using combined credited service for two or more subdivisions to simultaneously apply for and receive a service retirement annuity for service to one subdivision and a refund of accumulated contributions for service to another subdivision. Deletes language regarding the effective date of a retirement under this subsection.

SECTION 23. Amends Section 844.005, Government Code, as follows:

(a) Authorizes a retiree to revoke an application for retirement or change the designation of beneficiary after the retiree's effective date of retirement by filing written notice with the retirement system not later than the last day of the month following the month that includes the effective date of retirement. Deletes language regarding filing with the board of trustees. Prohibits a retiree, after that day, from revoking the application for retirement. Makes conforming changes.

(b) Provides that a retiree who dies before the first day of the second month following the month that includes the effective date of retirement and who did not select an optional retirement annuity is considered to have selected an optional annuity under Section 844.104(c)(7) or Section 844.305(c)(7), as applicable. Authorizes the

decedent's beneficiary, alternatively, to elect to receive a refund of the decedent's accumulated contributions under Section 844.401. Deletes language regarding the term "makes payment."

(c) Provides that an annuity under this subtitle is payable to a retiree or beneficiary through the month in which the retiree or beneficiary dies. Deletes language regarding an annuity being payable for a specific period. Provides that a continuation of an optional annuity begins with payment for the month following the month in which death occurs.

SECTION 24. Amends Section 844.006(d), Government Code, 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 to be divided by the retirement system into two annuities if certain conditions are met. Deletes reference to Texas Administrative Code.

SECTION 25. Amends Sections 844.009(a), (c), and (h), Government Code, as follows:

(a) Authorizes the governing body of a contributing subdivision with a member contribution rate of at least four percent that has not elected to discontinue enrolling employees to adopt the provisions of this section under certain conditions. Deletes language regarding subdivisions that elect to begin participation in the retirement system after December 31, 1999.

(c) Prohibits the amount of a lump-sum distribution under this section from exceeding 100 percent of the total accumulated contributions in the member's individual account in the employees saving fund attributable to the credited service on which the member has applied for retirement.

(h) Makes conforming changes.

SECTION 26. Amends Sections 844.101 and 844.102, Government Code, as follows:

Sec. 844.101. Makes a conforming change.

Sec. 844.102. Provides that a person who has retired with a service retirement annuity is eligible, without regard to any age or credited service requirement, to apply for and receive a service retirement annuity based on service for another participating subdivision from which the person has terminated employment.

SECTION 27. Amends Section 844.104(c), Government Code, to authorize an eligible person to select any of several optional annuities that are the actuarial equivalent of the annuity to which the person is entitled and that provide for certain conditions.

SECTION 28. Amends Sections 844.207, 844.210, and 844.211, Government Code, as follows:

Sec. 844.207. Provides that this section applies to all subdivisions that begin participation in the retirement system after September 1, 1985, and to all other subdivisions that have adopted the plan provisions of this section. Authorizes the governing body of a participating subdivision to adopt the plan provisions of this section only on the terms provided by Subchapter H. Redefines "credited service" as "eligible credited service." Provides that a member is eligible to apply for and receive a service retirement annuity if the member meets certain qualifications. Makes conforming changes. Provides that certain members are eligible to receive a service retirement annuity regardless of age when the amount of eligible credited service added to the member's attained age equals or exceeds the number 80. Deletes Subsection (f) to make a conforming change.

Sec. 844.210. Makes conforming changes regarding optional benefit eligibility plan two.

Sec. 844.211. Makes conforming changes regarding optional benefit eligibility plan three.

SECTION 29. Amends Section 844.301(a), Government Code, to authorize a member to apply for a disability retirement annuity by filing or having filed an application for retirement with the retirement system rather than the board or trustees.

SECTION 30. Amends Section 844.304(a), Government Code, by providing that the standard disability retirement annuity is discounted for the possibility of payment of a benefit under Section 844.402.

SECTION 31. Amends Section 844.305(c) to make conforming changes.

SECTION 32. Amends Chapter 844D, Government Code, by adding Section 844.3051, as follows:

Sec. 844.3051. ANNUITIES NOT SUBJECT TO DISCONTINUANCE. (a) Prohibits the retiree's disability retirement annuity, after the earlier of the date a disability retiree attains age 60 or the date the disability retiree would otherwise have become eligible for service retirement under this subtitle, from being revoked or discontinued under this subtitle. Provides that the retiree is not subject to further medical examinations or required to submit annual earnings reports.

(b) Provides that a disability retirement annuity that is not subject to revocation or discontinuance is considered a service retirement annuity if the retiree returns to employment with a participating subdivision.

SECTION 33. Amends Section 844.306(a), Government Code, to delete language regarding only disability retirees who are less than 60 years old.

SECTION 34. Amends Section 844.307(a) to make a conforming change.

SECTION 35. Amends Sections 844.308 and 844.309, Government Code, as follows:

Sec. 844.308. Makes a conforming change.

Sec. 844.309. Requires the retirement system, if a person's membership resumes under Section 844.308, to transfer to transfer certain amounts from certain funds to both the person's individual account in the employees saving fund and the subdivision accumulation fund. Requires the retirement system, if a person whose membership resumes under Section 844.308 was receiving a supplemental annuity based in whole or in part on prior service credit, to restore to effect as the person's maximum prior service credit an amount equal to the person's maximum prior service credit at the time of disability retirement reduced by one percent for each year or part of a year during which disability annuity payments were made. Deletes language regarding the amount by which prior service credit at the time of disability retirement exceeds the sum of all annuity payments, based on prior service credits, that were made before discontinuance of the supplemental annuity. Authorizes the board of trustees to adopt rules for the computation and transfer of amounts and credits for a membership resumed under this chapter.

SECTION 36. Amends Section 844.310(a), Government Code, to make a conforming change.

SECTION 37. Amends Sections 844.401 and 844.402, Government Code, as follows:

Sec. 844.401. New heading: RETURN OF ACCUMULATED

CONTRIBUTIONS. (a) Provides that, except as provided by Subsection (c), if a member dies before retirement, a lump-sum death benefit is payable from the employees savings fund in the amount of the decedent's accumulated contributions plus interest computed on the decedent's accumulated contributions on January 1 of the year of death from the beginning of that year through the end of the month before the month in which the death occurs. Deletes language regarding contributions in the member's individual account in the fund and interest on the balance in that account.

(b) Provides that the benefit provided by this section is payable to the decedent's beneficiary or, if no surviving beneficiary exists, to the decedent's spouse or, if no surviving spouse exists, to the decedent's estate. Deletes language regarding the decedent's direction that the benefit be paid otherwise.

(c) Provides that a benefit is not payable under this section if an annuity based on the same service with the subdivision is payable under this subtitle.

Sec. 844.402. New heading: RETURN OF EXCESS CONTRIBUTIONS. (a) Provides that, after the death of a member or former member and after the final payment has been made under any service, disability, or survivor annuity, a lump-sum death benefit is payable in an amount, if any, by which the amount in the person's individual account in the employees saving fund on which the annuity was computed exceeds the amount of annuity payments made.

(b) Provides that the benefit provided by this section is payable to the person entitled to receive the final monthly payment of the annuity. Makes conforming changes regarding whether that person is deceased.

(c) Makes a conforming change.

SECTION 38. Amends Sections 844.407(a), (e), and (h), Government Code, as follows:

(a) Defines "eligible member."

(e) Provides that, if no application for deferred service retirement was on file with the retirement system on December 31, 1999, an unrevoked form executed by the member and filed with the system naming a beneficiary to whom the member's accumulated contributions are to be paid in the event of death before retirement is considered a selection of a beneficiary under Subsection (d). Deletes language regarding an unrevoked application for deferred service executed and filed by the member with the retirement system before December 31, 1999, being considered a selection of benefit and a designation of beneficiary under Subsection (c).

(h) Deletes language regarding, if no surviving spouse exists, the executor or administrator of the member's estate being authorized to elect for the estate to receive a refund of the member's accumulated contributions under Section 844.401.

SECTION 39. Amends Section 844.408(b), Government Code, to make a conforming change.

SECTION 40. Amends Section 844.501, Government Code, by adding Subsection (c), as follows:

(c) Provides that the supplemental death benefit program constitutes "group term life insurance purchased for employees" as described by Section 79 of the federal Internal Revenue Code of 1986.

SECTION 41. Amends Sections 844.503(a), (b), and (c), Government Code, as follows:

(a) Defines “regular rate of pay,” “hours worked,” “salary basis,” “and regular salary.”

(b) Makes a conforming change.

(c) Establishes the process by which the current annual compensation (rather than salary) of a member who is not exempt from the minimum wage and maximum hour requirements of the Fair Labor Standards Act of 1938 (29 U.S.C. Section 201 et seq.) is computed. Establishes the process by which the current annual compensation of a member who is exempt and who is paid on a salary basis is computed. Deletes old text regarding amounts paid to the member for service on which contributions were made to the retirement system during the 12 months immediately preceding death. Deletes old text regarding the computation of the current annual salary of a member included in the extended coverage of the supplemental death benefit program.

SECTION 42. Amends Section 844.504, Government Code, to provide that if a retiree dies who was receiving a retirement annuity based on service for a subdivision that has elected to provide, and continues to provide, postretirement supplemental death benefits, a lump-sum supplemental death benefit is payable from the fund in the amount of \$5,000. Provides that if a retiree dies who was receiving retirement annuities based on service for more than one subdivision that has elected to provide, and continues to provide, postretirement supplemental death benefits, the financing of the lump sum benefit will be prorated among those subdivisions. Makes a conforming change.

SECTION 43. Amends Section 844.703(d), Government Code, to provide that the governing body may elect to contribute at a rate that is greater than the sum of the subdivision’s normal contribution rate and prior service contribution rate as determined under Subsections (a) and (b). Prohibits an elected rate from exceeding the maximum rate prescribed by Subsection (c) unless the governing body has elected to waive that maximum rate. Deletes language regarding the elected rate exceeding the sum of the subdivision’s normal contribution rate and its prior service contribution rate. Requires the governing body, for years in which the sum of the rates determined under Subsections (a) and (b) exceeds the elected rate, to contribute the sum of the rates determined under Subsections (a) and (b).

SECTION 44. Amends Sections 844.704(b) and (d), Government Code, as follows:

(b) Requires the governing body to select a percentage for determining allocated prior service credits under Section 843.105 and deletes a reference to limitations in Section 843.105(c). Makes a conforming change.

(d) Authorizes the governing body of a subdivision that has adopted or is adopting the plan provisions of this chapter to adopt or authorize a number of actions concerning retirement annuities, credited service, benefit eligibility plans, and service retirement.

SECTION 45. Amends Section 845.306, Government Code, to make a conforming change and to require the retirement system to establish and maintain a separate member individual account for each subdivision with which the member has credited service. Requires the retirement system to credit, on December 31 of each year, to each member’s individual account interest as allowed by this subtitle on the amount of accumulated contributions credited to the member’s account on January 1 of that year.

SECTION 46. Amends Section 845.307(a), Government Code, to make a conforming change.

SECTION 47. Amends Section 845.310(f), Government Code, to delete language regarding money forfeited to the retirement system as provided by Section 845.505.

SECTION 48. Amends Section 845.313, Government Code, by adding Subsection (c) 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, 2002, except that the system may make payment by

check to an annuitant if making the payment by electronic funds transfer would be impractical for the system or if the annuitant properly notifies the system of a problem in making payments electronically.

SECTION 49. Amends Section 845.315(a), Government Code, to make a conforming change.

SECTION 50. Amends Sections 845.316(a) and (b), Government Code, to make conforming changes.

SECTION 51. Amends Section 845.407, Government Code, to require, except as provided by Subsections (c) and (d), a participating subdivision that fails to provide the information required by Section 845.403 or to pay all contributions required by this subchapter to be made and remitted to the retirement system not later than the 15th day of the month in which they become due to pay a penalty under this section. Makes a conforming change. Provides that a penalty will not be assessed under this section for a late payment or report made in a document sent to the correct address using certain methods in a certain time period. Provides that, if the retirement system does not receive a payment or report, a penalty will not be assessed under this section if the subdivision provides proof satisfactory to the system that the document containing the payment or report was sent in accordance with Subsection (c).

SECTION 52. Amends Section 845.505, Government Code, as follows:

Sec. 845.505. New heading: UNCLAIMED BENEFITS. (a) Requires the retirement system, if a person's membership in the retirement system has terminated and a valid application for a retirement annuity or a refund of accumulated contributions has not been filed with the retirement system, to mail the notice described by Subsection (b) to the most recent address of the former member as shown on system records and make reasonable efforts to locate any person entitled to apply for the benefit. Deletes language regarding notices returned undelivered. Deletes language regarding a valid application for an annuity or for a refund of the accumulated contributions of a deceased member not being filed with the retirement system before the expiration of 180 days after the date the notice is sent. Makes a conforming change in deleting language regarding a person whose membership is terminated under Section 842.109(a)(4). Makes a conforming change in deleting language regarding a member who is no longer in covered employment.

(b) Requires a notice under this section to include the name of the former member, the name of each subdivision with which the former member has an individual account, and a statement that no additional interest is credited after a membership has terminated.

(c) Requires the retirement system, if a person files with the retirement system a valid application for an annuity based on a membership that terminated under Section 842.109(b), rather than an account that has been closed under Subsection (a) or (c), to pay an annuity computed as of the date on which the annuity would have been required to begin under this subtitle. Deletes language requiring the retirement system to restore the member's individual account in the employees saving fund.

(d) Authorizes an applicant who is the former member to select the standard service retirement annuity or an optional service retirement annuity under Section 844.104. Authorizes an applicant who is the surviving member may selection an optional service retirement annuity under Section 844.104. Provides that if the applicant is not the former member or surviving spouse, the annuity will be computed as an annuity under Section 844.104(c)(7). Deletes language regarding annuity payments paid as a single sum.

(e) Requires the retirement system to pay to the applicant the amount of the former member's accumulated contributions to which the applicant is entitled. Deletes language regarding the perpetual endowment account of the endowment fund.

(f) Authorizes the retirement system, if a person receiving an annuity fails to negotiate more than five consecutive annuity payments, to send a notice to that person, stating that unless the previous payments are negotiated not later than the 30th day after the date of the notice, payment of benefits will be suspended. Deletes language regarding the account being closed until the person files a written request with the retirement system to resume payments. Requires the retirement system, after receipt of a valid application, to resume making monthly payments. Provides that all annuity payments that would have otherwise been paid if the annuity had not been suspended will be paid to the person, or if the person has died, to the decedent's beneficiary or, if none exists, to the annuitant's estate.

(g) Requires the retirement system, if a benefit becomes payable as the result of the death of a person receiving an annuity, to mail a notice similar to the notice described by Subsection (b) to the most recent address of the decedent's beneficiary as shown on system records and make reasonable efforts to locate each person to whom the benefit is payable. Deletes language regarding the continuation of annuity payments as a result of that death and the required notification of that person of any information necessary in order to make the continued payments. Requires the retirement system, after receipt of a valid application, to pay the applicant the benefit to which the applicant is entitled. Provides that all annuity payments that would previously have been paid if the annuity had begun on the date required under this subtitle will be paid to the applicant. Deletes language regarding the requested information not having been received by the retirement system. Deletes language regarding the retirement system being authorized to apply a similar process as provided by other Subsections to other money it holds for payment.

(h) Provides that a person entitled to a benefit under this section is solely responsible for a tax or penalty relating to the distribution of the benefit without regard to whether the person received notice from the retirement system.

(i) Authorizes the board of trustees to adopt rules concerning unclaimed benefits and the authority of an applicant to act as trustee of an absent beneficiary in the selection of a payment option or receipt of an absent beneficiary's benefit under this section.

SECTION 53. (a) Provides that Section 844.504, Government Code, as amended by this Act, applies only to the death of a retiree occurring after December 31, 2001.

(b) Provides that Sections 844.005 and 844.503, Government Code, as amended by this Act, apply only to benefits that become payable after December 31, 2001.

(c) Provides that Sections 844.401 and 844.402, Government Code, as amended by this act, apply only to beneficiary determinations made after December 31, 2001.

SECTION 54. Repealers: Section 843.301(Member From County With Local Pension System), Government Code;

Section 844.009(i) (regarding partial lump-sum distribution on service retirement), Government Code;

Sections 844.104 (regarding Optional Service Retirement Annuity)(d), (e), (f), (g), (h), (i), (j), (k), (l), (m), and (n), Government Code;

Sections 844.305 (regarding Optional Disability Retirement Annuity) (d), (e), (f), (g), (h), (i), (j), (k), (l), and (m), Government Code;

Section 844.403 (Excess Contributions of Disability Retiree),
Government Code; and

Section 844.502(c) (regarding Extended Supplemental Death Benefit
Coverage), Government Code.

SECTION 55. Provides that, except as provided by Subsection (b) of this section, this Act takes effect on December 31, 2001. Sections 12 and 51 of this Act take effect September 1, 2001.