

## **BILL ANALYSIS**

Senate Research Center  
84R6733 TSR-F

S.B. 463  
By: Huffman  
State Affairs  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The Texas County and District Retirement System's (TCDRS) enabling statute requires an unusually complex accounting system not used in the pension industry. Because of this system, TCERS cannot implement new nationwide pension accounting standards (GASB 67/68). Changing this statute would allow TCERS to streamline its accounting system to comply with new standards in the pension industry.

The Texas Municipal Retirement System, which was also created with this complex accounting system, made this change as a result of S.B. 350, 82nd Legislature, Regular Session, 2011, and reports increased efficiencies with no negative outcomes.

As proposed, S.B. 463 amends current law relating to the restructuring of certain fund accounts of the Texas County and District Retirement System.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 842.056, Government Code, as follows:

Sec. 842.056. CLASS C. Provides that if any assets remain after the transfers are made under Sections 842.054 (Class A) and 842.055 (Class B), the Texas County and District Retirement System (TCERS) is required to make a transfer to the closed subdivision annuity reserve fund, rather than the current service annuity reserve fund, in an amount computed as necessary to fund the basic and supplemental annuities of the annuitants of the subdivision.

SECTION 2. Amends Section 844.002(b), Government Code, to provide that a basic annuity is an amount payable from the subdivision accumulation fund, rather than the current service annuity reserve fund, and is actuarially determined from the sum of a member's accumulated contributions and current service credit.

SECTION 3. Amends Section 844.309(a), Government Code, as follows:

(a) Provides that if a disability retirement is canceled and the retirement annuity terminated under this subchapter, the person automatically resumes membership in TCERS and TCERS is required to transfer from the subdivision accumulation fund, rather than the current service annuity reserve fund, and credit to the person's individual account in the employees saving fund an amount equal to the amount of accumulated contributions transferred to the subdivision accumulation fund at the time of retirement reduced by one percent for each year or part of a year during which disability annuity payments were made. Deletes existing text requiring TCERS to transfer from the current service annuity reserve fund to the subdivision accumulation fund an amount equal to the amount transferred from the subdivision accumulation fund to the current service annuity

reserve fund at the time of retirement reduced by one percent for each year or part of a year during which disability annuity payments were made.

Makes conforming and nonsubstantive changes.

SECTION 4. Amends Section 844.402, Government Code, by amending Subsection (c) and adding Subsection (d), as follows:

(c) Provides that the benefit provided by this section is payable from the subdivision accumulation fund. Deletes existing text providing that the benefit is payable from the current service annuity reserve fund and the subdivision accumulation fund in the ratio that the parts of the retirement annuity that were payable from the funds bear to the entire benefit as determined on the effective date of retirement.

(d) Provides that the benefit provided by this section is payable from the closed subdivision annuity reserve fund for plans terminated under Subchapter A-1 (Termination of Participation by Subdivisions), Chapter 842.

SECTION 5. Amends Section 845.305(b), Government Code, to change a reference to the current service annuity reserve fund to the closed subdivision annuity reserve fund.

SECTION 6. Amends Section 845.307(b), Government Code, as follows:

(b) Requires TCDRS to pay from the subdivision accumulation fund all payments for annuities and other benefit payments granted by a participating subdivision. Deletes existing text requiring TCDRS to 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 subdivision. Deletes existing text requiring TCDRS to charge payments from the fund to the participating subdivision's account.

SECTION 7. Amends Section 845.308, Government Code, as follows:

Sec. 845.308. New heading: CLOSED SUBDIVISION ANNUITY RESERVE FUND.

(a) Requires TCDRS to deposit and hold in the closed subdivision annuity reserve fund, rather than the current service annuity reserve fund, all reserves for annuities payable to annuitants who were members of subdivisions that terminated participation with the retirement system under Subchapter A-1, Chapter 842.

Deletes existing text that requiring that TCDRS deposit and hold all reserves for current service annuities in force that were granted before January 1, 1978, and all basic annuities granted on or after January 1, 1978. Makes nonsubstantive changes.

(b) Changes a reference to the current service annuity reserve fund to the closed subdivision annuity reserve fund.

SECTION 8. Amends Section 845.315(a), Government Code, as follows:

(a) Changes references to the current service annuity reserve fund to the closed subdivision annuity reserve fund. Requires the board of trustees, as of December 31 of each year, to make allocations that in the aggregate equal the net investment income or loss for the year to certain accounts as set forth, including an allocation to the accounts of subdivisions to which Section 842.052 (Voluntary Termination of Participation) or 842.053 (Involuntary Termination of Participation) applies, positive or negative amounts as determined by the board, and if a subdivision terminates participation before December 31 of that year, to determine the allocation amount and transfer date before December 31 of that year.

SECTION 9. Amends Section 845.316, Government Code, by amending Subsection (a) and adding Subsection (b), as follows:

(a) Requires TCDRS to transfer the member's accumulated contributions from the employees saving fund to the subdivision accumulation fund, rather than the current service annuity reserve fund, when a member retires. Deletes existing text requiring that a transfer from the subdivision accumulation fund to the current service annuity reserve fund be an amount equal to the member's current service credit. Makes nonsubstantive changes.

(b) Requires TCDRS to transfer the member's individual account to the closed subdivision annuity reserve fund when a member retires from a subdivision that has terminated participation with TCDRS under Subchapter A-1, Chapter 842.

SECTION 10. (a) Provides that, 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 TCDRS under Subchapter A-1, Chapter 842, Government Code.

(b) Requires TCDRS 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 board of trustees of the retirement system in consultation with the retirement system's actuary, effective January 1, 2017.

(c) Requires TCDRS to 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, in administering Subtitle F (Texas County and District Retirement System), Title 8, Government Code, as amended by this Act, including crediting interest and conducting the actuarial valuation required under that subtitle.

SECTION 11. Effective date: upon passage or January 1, 2016.