

BILL ANALYSIS

Senate Research Center

H.B. 1587
By: Kuempel (Brimer)
State Affairs
5/9/2007
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas County and District Retirement System (retirement system) is a voluntary, statewide retirement system that administers service retirement, disability retirement, and death benefits for employees and officers of counties and other political subdivisions, excluding cities and school districts. Each participating subdivision separately funds its benefits, with both employers and employees making contributions to the retirement system. The retirement system does not receive state funding. Legislation is currently targeted at enabling the retirement system to operate more efficiently, to adjust the flexibility of non-routine matters and circumstances related to the retirement system, and to improve clarity of the statutes related to the retirement system.

H.B. 1587 makes improvements to the administrative and operational side of the Texas County and District Retirement System and codifies current processes. Additionally, this bill addresses benefit design, employer participation and termination, disability retirement, and investment of assets, clarifies the authorities of the board of trustees of the retirement system, and simplifies the prior service process. This bill requires no action on the part of employers and does not anticipate that employers or members of the retirement system will be significantly affected by these changes.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the board of trustees of the Texas County and District Retirement System in SECTION 5 (Section 842.002, Government Code), SECTION 20, (Section 843.201, Government Code), SECTION 30 (Sections 844.0041 and 844.0042, Government Code), SECTION 31 (Section 844.005, Government Code), SECTION 35 (Section 844.010, Government Code), SECTION 38 (Section 844.1021, Government Code), SECTION 44 (844.303, Government Code), SECTION 90 (Section 845.505, Government Code), and SECTION 91 (Section 845.506, Government Code) of this bill.

Rulemaking authority previously granted to the board of trustees of the Texas County and District Retirement System is modified in SECTION 18 (Section 843.104(d), Government Code) and SECTION 90 (Section 845.505, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 841.001, Government Code, by amending Subdivisions (7) and (18) and adding Subdivision (7-a) to redefine "credited service," to define "director," and to redesignate the definition of "supplemental death benefit program" as the definition for "optional group term life program."

SECTION 2. Amends Section 841.004, Government Code, as follows:

Sec. 841.004. New heading: POWERS, PRIVILEGES, AND IMMUNITIES. (a) Creates this subsection from existing text. Provides that the Texas County and District Retirement System (retirement system) is a governmental entity.

(b) Provides that the board of trustees of the retirement system (board of trustees), director of the retirement system (director), investment officer of the retirement system, and employees of the retirement system are not liable for any action taken or omission made or suffered by them in the good faith performance

of any duty in connection with any program or benefit administered by the retirement system.

SECTION 3. Amends Section 841.008, Government Code, by amending Subsections (a) and (b) and adding Subsection (c-1), as follows:

(a) Prohibits an attorney in fact who is signing on behalf of a person entitled to any benefit under this subtitle (Texas County and District Retirement System) and who is not the person's spouse from selecting a benefit in which the attorney in fact, or a direct ancestor or lineal descendent of the attorney in fact, is a named beneficiary, unless the attorney in fact designates as the person's beneficiary the same individuals, with the same share of the benefit that each would have received if the person had died immediately before the beneficiary designation by the attorney in fact, or unless the attorney in fact designates as the person's beneficiary all individuals who bear the same relationship to the attorney in fact, with the same share of the benefit that each would have received, rather than only unless the attorney in fact designates as the person's beneficiary each individual who would be entitled to the entire benefit, if the person had died interstate.

(b) Includes that the director is authorized to make payment of any annuity or other benefit, until current letters of guardianship are filed with the retirement system, to a public agency or private charitable organization providing assistance or services to the aged or incapacitated that agrees to accept and manage the payment for a person entitled to a benefit under the retirement system who is not mentally capable of managing their own affairs and does not have a guardianship at the time for certain reasons. Makes nonsubstantive changes.

(c-1) Authorizes the retirement system to cease making payments to an individual or entity who is accepting benefits for a person under the retirement system upon giving notice to the individual or entity if the director reasonably believes that the individual or entity has breached a fiduciary duty owed to the person or is failing to act in the interest of or for the benefit of the person and the person may suffer personal or financial harm as a result.

SECTION 4. Amends Section 842.001(d), Government Code, to authorize an electing subdivision under this section (Subdivision Participation) to begin participation in the retirement system on the date specified, rather than the first day of any month designated, by the subdivision's governing body, subject to the approval of the board of trustees.

SECTION 5. Amends Section 842.002, Government Code, as follows:

Sec. 842.002. RULES FOR PARTICIPATING SUBDIVISIONS. Authorizes the board of trustees to adopt rules concerning the actions that a subdivision that elects to participate in the retirement system is authorized to take in anticipation of board approval under Section 842.001.

SECTION 6. Amends Section 842.004, Government Code, as follows:

Sec. 842.004. New heading: OPTIONAL GROUP TERM LIFE PROGRAM. (a) Authorizes a subdivision participating in the retirement system to elect to participate in the optional group term life program (program), rather than the supplemental death benefits fund.

(b) Makes a conforming change.

(c) Redesignated from existing Subsection (d). Deletes existing text authorizing the board of trustees to require the subdivision to provide evidence that is satisfactory to the board that the members are in good health before a subdivision of fewer than 10 employees who are members of the retirement system is permitted to participate in the program. Deletes existing text authorizing the board of trustees to allow participation in the fund by those subdivision employees who are in good health on the effective date of participation and

exclude those subdivision employees who are not in good health at that time. Makes a conforming change.

(d) Redesignated from existing Subsection (e). Makes a conforming change.

(e) Redesignated from existing Subsection (f). Makes a conforming change.

SECTION 7. Amends Subchapter A, Chapter 842, Government Code, by adding Section 842.008, as follows:

Sec. 842.008. PARTIAL ASSUMPTION BY TRANSFEREE SUBDIVISION. Authorizes, with the consent of and on terms approved by the board of trustees, the pension liabilities accrued by a transferring employee for service with the transferring subdivision, together with an appropriate portion of trust assets in the account of the transferring subdivision, to be treated as and considered to be a separate account and pension liabilities of the subdivision taking over the function or activity if a function or activity previously performed by employees of a participating subdivision is transferred to or otherwise taken over by another participating subdivision and any of the employees performing the function or activity transfer to and become employees of the subdivision taking over the function or activity.

SECTION 8. Amends Section 842.052(d), Government Code, to make a nonsubstantive change.

SECTION 9. Amends Sections 842.053(d) and (e), Government Code, to make nonsubstantive changes.

SECTION 10. Amends Section 842.101(b), Government Code, to include that the rules adopted by the board of trustees provide an exception to the provision that the rights and benefits of a member are determined separately with respect to each subdivision with which the member has credited service.

SECTION 11. Amends Section 842.106, Government Code, as follows:

Sec. 842.106. MULTIPLE RETIREMENT SYSTEM MEMBERSHIP. Authorizes a person who is 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, to receive a benefit from this retirement system only to the extent that the amount of the benefit is computed solely on the member's accumulated contributions and service credit in this system. Deletes existing text regarding multiple retirement system membership.

SECTION 12. Amends Sections 842.109(a) and (b), Government Code, as follows:

(a) Deletes existing text providing that a person terminates membership in the retirement system by death. Makes nonsubstantive changes.

(b) Provides that a person's membership in the retirement system terminates on the earlier of the date of the person's death or the 1st day of the month ending before the person's required beginning date determined in accordance with Section 841.010 (Distribution Requirements), unless terminated under Subsection (a), rather than prohibiting a person's membership in the retirement system from extending beyond that required beginning date determined in accordance with Section 841.010.

SECTION 13. Amends Section 842.112, Government Code, by amending Subsections (e) and (f) and adding Subsections (f-1) and (f-2), as follows:

(e) Requires the retirement system, after receiving credible evidence of an erroneous payment, to determine the beneficiary, rather than the person, entitled to a survivor benefit or death benefit and, if necessary, to adjust future payments to the extent practicable to ensure that the present value of the remainder of the benefit will be paid to

the person entitled to it if the act of a third person causes the retirement system to make a payment of the benefit to someone other than the person entitled to the payment.

(f) Provides that the retirement system is not liable to any person for any payments described by Subsection (e) made before the date the system receives credible evidence of an erroneous payment.

(f-1) Provides that the retirement system is not liable to any person with respect to the payment after the first anniversary of the date the check was mailed if, pursuant to a valid application for a withdrawal or for retirement, the retirement system issues a check made payable to the applicant, properly addressed as directed on the application and sent by first-class mail, and the check is negotiated by any person.

(f-2) Provides that the retirement system is not liable to any person for a payment or claim relating to the payment beginning on the date of the transfer if, pursuant to a valid application for a withdrawal or for retirement, the retirement system causes funds to be electronically transferred to the account specified on the application.

SECTION 14. Amends Subchapter B, Chapter 842, Government Code, by adding Section 842.114, as follows:

Sec. 842.114. BURDEN OF PROOF. (a) Provides that a person disputing the validity of a form, application, or other document filed with the retirement system has the burden of proving the document to be false, fraudulent, or otherwise invalid.

(b) Provides that a person seeking a correction based on an error caused by an act or omission of the retirement system or a subdivision has the burden of proving the error and the act or omission causing the error.

(c) Provides that a person described by Subsection (a) or (b) has the burden of showing reasonableness and diligence in discovering the invalidity or error and timeliness in notifying the retirement system or the appropriate subdivision.

SECTION 15. Amends Section 843.001, Government Code, to include optional service as a type of service creditable as credited service in the retirement system.

SECTION 16. Amends Sections 843.003 and 843.0031, Government Code, as follows:

Sec. 843.003. New heading: AUTHORIZATION TO REESTABLISH SERVICE CREDIT PREVIOUSLY FORFEITED. (a) Authorizes an eligible member who has withdrawn contributions from the retirement system to reestablish the forfeited service credit in the system if the current service on which the credit was based was performed for a participating subdivision the governing body of which by order authorizes reestablishment of the credit by eligible employee members of the subdivision.

(b) and (c) Makes conforming changes.

(d) Prohibits prior service credit forfeited because of a withdrawal of contributions from being reestablished under this section. Deletes existing text prohibiting a governing body from making an order under Subsection (a) except on the terms provided by Subchapter H (Annually Determined Contribution Rate Plan), Chapter 844.

Sec. 843.0031. New heading: REESTABLISHMENT OF CREDITED SERVICE; OPTION TO PAY LUMP-SUM AMOUNT. (a) Authorizes a member who has withdrawn contributions from the retirement system and who subsequently resumes employment with a subdivision to, by application to the system at any time before retirement, reestablish forfeited optional credited service.

(b) Prohibits any amount paid under this subsection and interest accrued on the amount from being considered in the computation of service credits.

(c) Provides that, with respect to the account with the subdivision for which contributions had been withdrawn, after the date an amount is deposited under Subsection (b), the member is ineligible to reestablish any service credit with the subdivision that had been forfeited before the date of the redeposit, even if the member would otherwise be eligible under an order adopted under Section 843.003. Deletes existing text providing that an amount paid under Subsection (b) is not subject to employer matching contributions.

SECTION 17. Amends Section 843.102, Government Code, as follows:

Sec. 843.102. New heading: ELIGIBILITY FOR PRIOR SERVICE CREDIT. (a) Provides that a member is eligible to receive service credit in the retirement system for prior service if the member became a member as an employee of a subdivision before the second, rather than the fifth, anniversary of the effective date of its participation and continues as an employee of the subdivision for at least six months, rather than five consecutive years, after reemployment. Deletes existing text providing an exception to this section under Section 843.108 (Restricted Credit for Previous Service). Makes nonsubstantive changes.

(b) Makes a conforming change.

(c) Deletes existing text conditioning eligibility to receive service credit under this section for prior service for the subdivision that was not established before the person withdrew the contributions.

SECTION 18. Amends Sections 843.104(a) and (d), Government Code, as follows:

(a) Authorizes a member eligible to receive prior service credit to claim the credit by filing a detailed statement of the service with the subdivision for which the service was performed. Requires the subdivision, rather than the employing officer receiving the statement, to certify the amount of the member's prior service and the member's average prior service compensation, rather than verify the prior service claimed and certify to the board of trustees the amount of service approved and the member's average prior service compensation.

(d) Authorizes the board of trustees to adopt rules concerning certification of service and the definition and computation of average prior service compensation under this section, rather than concerning verification and certification of service and compensation under this section.

SECTION 19. Amends Section 843.105, Government Code, as follows:

Sec. 843.105. New heading: DETERMINATION OF MAXIMUM AND ALLOCATED PRIOR SERVICE CREDIT. (a) Requires the retirement system to credit to the member the prior service certified and determine the member's maximum and allocated prior service credits, after receiving a certification of prior service and average prior service compensation under Section 843.104 (Certification of Service and Average Compensation). Deletes existing text requiring the board of trustees to determine the member's maximum and allocated prior service credits.

(b) Provides that the maximum prior service credit is an amount equal to the accumulation at interest of a series of equal monthly amounts for the number of months of certified, rather than approved, prior service. Makes a nonsubstantive change.

(c) Provides that allocated prior service credit is a monetary credit granted by a subdivision to be computed at a member's retirement date and, together with any multiple matching credit, used in determining a member's supplemental annuity. Provides that the allocated prior service credit of a member is an amount equal to a percentage of the maximum prior service credit, increased from the

subdivision's effective date of participation to the member's effective date of retirement at the applicable rate of interest provided under this subtitle or prior law for the period, rather than a percentage of the maximum prior service credit granted by the subdivision to all members who performed prior service for the subdivision.

(d) Authorizes the governing body of a subdivision to adopt a percentage to be used to determine allocated prior service credits. Authorizes the rate to be limited to zero or any multiple of five percent. Deletes existing text providing that interest is earned on an allocated prior service credit from the effective date of membership to the effective date of retirement at the applicable rate for the period as provided by Section 845.314.

SECTION 20. Amends Sections 843.201(a), (b), and (c), Government Code, as follows:

(a) Authorizes the governing body of a participating subdivision by order to authorize the establishment of credited service and prior service credit in the retirement system for service performed in certain places during a time the facility was operated or function was performed by a unit of government other than the division and before certain dates, in accordance with rules adopted by the board of trustees.

(b) Makes a conforming change.

(c) Authorizes the allocated prior service credit percentage allowable under this section to be limited by order of the governing body to zero or to any percentage that is a multiple of five percent. Deletes existing text prohibiting the allocated prior service credit percentage allowable under this section from exceeding the percentage applicable to the computation of allocated prior service credits for employees of other departments of the subdivision.

SECTION 21. Amends Section 843.401, Government Code, to require the retirement system to credit a member with, rather than grant, one month of current service for each month for which the required contributions are made, reported, and certified by the employing subdivision.

SECTION 22. Amends Subchapter E, Chapter 843, Government Code, by adding Section 843.402, as follows:

Sec. 843.402. CURRENT SERVICE CREDIT AND MULTIPLE MATCHING CREDIT. (a) Provides that current service credit is a monetary amount credited by a subdivision to be computed at a member's effective retirement date and used in determining the member's basic annuity. Provides that, at the determination date, a member's current service credit is an amount equal to the sum of the employee contributions in the member's individual account and the interest accumulated on those contributions as provided by this subtitle.

(b) Provides that multiple matching credit is a monetary amount credited by the governing body of a subdivision to be computed at a member's effective retirement date and, together with any prior service credit, used in determining a member's supplemental annuity. Provides that such credit is an amount equal to a percentage of the sum of employee contributions in a member's individual account that were made for a particular calendar year and the interest accumulated on those contributions as provided by this subtitle. Provides that at the determination date the multiple matching credit of a member is equal to the sum of the multiple matching credit for all years of the person's membership.

(c) Provides that the percentage to be used in the computation of the multiple matching credit for a particular year is adopted by the governing body of a subdivision and applied in accordance with this subtitle.

SECTION 23. Amends the heading to Subchapter F, Chapter 843, Government Code, to read as follows:

SUBCHAPTER F. OPTIONAL CREDITED SERVICE

SECTION 24. Amends Section 843.501, Government Code, as follows:

Sec. 843.501. New heading: CREDITED SERVICE FOR LEGISLATIVE SERVICE. Requires a member claiming credited service for previous legislative service to file with the retirement system, rather than with the subdivision by which the member is currently employed, a detailed statement of the service. Deletes existing text requiring the employing subdivision to verify the service claimed and certify to the board of trustees the amount of service approved as soon as practicable after the filing of a statement. Deletes existing text prohibiting credited service from being established under this section for service that is credited by another retirement system or program established or governed by state law.

SECTION 25. Transfers Section 843.601, Government Code, to Subchapter F, Chapter 843, Government Code, and renumbers and amends as Section 843.502, as follows:

Sec. 843.502. New heading: CREDITED SERVICE FOR QUALIFIED MILITARY SERVICE. Deletes existing text prohibiting credited service from being established under this section for any month of service that is credited under another section of this subtitle or by another retirement system or program established or governed by state law. Makes nonsubstantive changes.

SECTION 26. Amends Subchapter F, Chapter 843, Government Code, by adding Sections 843.503 and 843.504, as follows:

Sec. 843.503. CREDITED SERVICE FOR SERVICE WITH SUBDIVISION PREDECESSOR. Authorizes the governing body of a participating subdivision, with the consent of and on terms approved by the board of trustees, to authorize the establishment of credited service in the retirement system for service performed as an employee of the immediate predecessor entity of the subdivision.

Sec. 843.504. NO DOUBLE CREDITING OF SERVICE. Prohibits credited service from being established under this subchapter for any month of service that is credited under another section of this subtitle or by another retirement system or program established or governed by state law, except as provided by Chapter 803 (Proportionate Retirement Program).

SECTION 27. Amends Section 844.001, Government Code, as follows:

Sec. 844.001. TYPES OF BENEFITS. (a) Creates this subsection from existing text. Provides that pension benefits payable from the retirement plan and trust are retirement annuities payable on service retirements, retirement annuities payable on disability retirements, survivor annuities payable on the deaths of members, and refunds of accumulated contributions. Deletes existing text including supplemental death benefits as a type of benefit payable by the retirement system.

(b) Authorizes nonpension group term life coverage to be provided by an electing subdivision for its employees and retirees under the program. Requires the board of trustees to administer this program and provides that insurance proceeds are payable from the optional group term life fund.

SECTION 28. Amends Sections 844.002(b)-(e), Government Code, as follows:

(b) Makes a nonsubstantive change.

(c) Provides that a supplemental annuity is an amount payable from the subdivision accumulation fund, subject to limitation under Section 844.008 (Limitation on Payment of Benefits), rather than being subject to reduction under Section 842.054 (Class A),

842.055 (Class B), 842.056 (Class C), 842.057 (Class D), or 845.307(c) (regarding subdivision accumulation fund). Makes nonsubstantive changes.

(d) Makes a nonsubstantive change.

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

SECTION 29. Amends Section 844.003, Government Code, as follows:

Sec. 844.003. EFFECTIVE DATE OF RETIREMENT. (a) Makes a conforming change.

(b) Makes nonsubstantive changes.

(b-1) Provides that a vested member who has not retired before the member's required beginning date determined under Section 841.010 is considered to have retired on the last day of the month preceding the member's required beginning date.

(c) Makes conforming and nonsubstantive changes.

(d) Deletes existing text authorizing credited service with the member's new employer to be used in determining eligibility for service retirement. Deletes existing text authorizing 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 another subdivision. Deletes existing text providing that a person who retires under this subsection is considered for all purposes to be a retiree who resumes service with a different employer under Section 842.110.

(e) Prohibits the effective retirement date of a member from preceding the first anniversary of the effective date of participation of the subdivision, rather than the earlier of the effective date of the person's membership in the retirement system or the effective date of participation of the subdivision from which the member had most recently earned credited service. Makes a conforming change.

SECTION 30. Amends Subchapter A, Chapter 844, Government Code, by adding Sections 844.004, 844.0041, and 844.0042, as follows:

Sec. 844.004. STANDARD RETIREMENT ANNUITY. Provides that the standard retirement annuity payable under this subtitle is computed with an allowance for the possible payment of a benefit under Section 844.402 (Return of Excess Contributions), is the actuarial equivalent of the sum of a member's accumulated contributions, current service credit, allocated prior service credit, and multiple matching credit, and is payable throughout the life of a retiree.

Sec. 844.0041. OPTIONAL RETIREMENT ANNUITIES. (a) Authorizes a retiring member to receive an optional retirement annuity under this section or an optional retirement annuity in another form authorized by the board of trustees instead of the standard retirement annuity payable under Section 844.004.

(b) Provides that an optional retirement annuity, at a member's effective retirement date, is actuarially equivalent to the standard retirement annuity to which the member is entitled.

(c) Provides that an optional retirement annuity under this section is a retirement annuity that is payable monthly throughout the life of a retiree, and after the retiree's death, throughout the life of an individual designated to be a retiree; or is a monthly retirement annuity that is payable throughout the life of a retiree and, if

the retiree dies before 180 monthly payments have been made, the remainder of the 180 monthly payments are payable to certain persons.

(d) Authorizes the board of trustees by rule to authorize additional forms of optional retirement annuities, each of which are required be actuarially equivalent to the standard retirement annuity to which the retiree is entitled as of the effective retirement date.

Sec. 844.0042. AUTHORITY TO PAY BENEFITS UNDER ALTERNATE FORMS.

(a) Authorizes the board of trustees to authorize the payment of the benefit that is due a recipient to be made as a lump sum or in another alternate form that is actuarially equivalent to the benefit that would otherwise be payable to the recipient at the time payments to the recipient would begin. Authorizes an authorization under this subsection to be made as a policy of general application or on a case-by-case basis considering the particular facts and circumstances.

(b) Prohibits payment to a retiree in a lump sum or other alternate form from being made without the retiree's consent if the payment is to be sent to an address in the United States and the present value of the retiree's benefit exceeds a minimum amount set by the board of trustees. Provides that a retiree who receives payment in a lump sum or other alternate form under this section continues as a retiree for purposes of a benefit provided by the subdivision under the program.

(c) Provides that payment is within the exclusive discretion of the board of trustees and payment in a lump sum or other alternate form constitutes full satisfaction of the retirement benefit otherwise owed to the recipient, except as otherwise limited under Subsection (b).

(d) Authorizes the board of trustees to adopt rules for the administration of this section, including rules for the payment of benefits internationally and for the verification of a continuing right to receive payments.

SECTION 31. Amends Section 844.005, Government Code, by amending Subsections (a) and (b) and adding Subsection (b-1), as follows:

(a) Authorizes a retiree to revoke an application for retirement, change the retiree's choice of retirement annuity payment plans, or change the designation of beneficiary after the retiree's effective date of retirement system not later than the last day of the month a benefit payment is first made, rather than not later than the last day of the month following the month that includes the effective date of retirement.

(b) Provides that if an applicant for retirement dies on or before the last day that the application for retirement could have been revoked under Subsection (a), the decedent's application for retirement is considered canceled, except that the valid beneficiary designations made in connection with the retirement application remain in effect. Authorizes the beneficiary of a decedent who had been an eligible member under Section 844.407 (Survivor Annuity) to receive an annuity in accordance with that section. Deletes existing text providing 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) (regarding optional service retirement annuity) or Section 844.305(c)(7) (regarding optional disability retirement annuity), as applicable, and, alternatively, authorizes the decedent's beneficiary to elect to receive a refund of the decedent's accumulated contributions under Section 844.401 (Return of Accumulated Contributions).

(b-1) Authorizes the retirement system, under rules established by the board of trustees, to cancel an application for retirement if the applicant fails to timely provide all information and forms necessary to put the retirement into effect.

SECTION 32. Amends Sections 844.006(a)-(d), Government Code, as follows:

(a) Authorizes a retiree who is receiving payments under a retirement annuity computed on the life of the retiree only, rather than a retiree who is receiving payments of a standard service or disability retirement annuity or of an annuity for the retiree's life but with payments to continue after the retiree's death until a determined number of payments have been made, to revoke any existing selection and designation of beneficiary nominated to receive any payments that may become due under annuity after the retiree's death and authorizes such a retiree to select a new beneficiary to whom payments are made.

(b) Provides that if a valid beneficiary designation is not on file with the retirement system, any monthly payments that become due after the death of the beneficiary are payable to the beneficiary's spouse or, if no surviving spouse exists, to the beneficiary's estate.

(c) Authorizes a retiree who is receiving payments under a retirement annuity computed on the joint lives of the retiree and the retiree's designated beneficiary, rather than a retiree who selected an optional annuity under Section 844.104(c)(1), (c)(2), (c)(5), or (c)(6) (regarding optional service retirement annuity) or Section 844.305(c)(1), (c)(2), (c)(5), or (c)(6), (regarding optional disability retirement annuity) to revoke the designation of the beneficiary to receive the annuity on the death of the retiree, if a court of competent jurisdiction in divorce proceeding involving the retiree and beneficiary awards to the retiree the entire retirement benefit earned by the retiree. Deletes existing text conditioning that the standard retirement annuity be service or disability, as applicable, for the provision that entitles the retiree to receive a standard retirement annuity in a certain amount, beginning with the month following the month in which the retirement system receives a revocation of the designation of the beneficiary.

(d) Authorizes the benefit payable to a retiree who is receiving payments of a retirement annuity computed on the joint lives of the retiree and the person designated as beneficiary by the retiree, rather than 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 a qualified relations order, as that term is defined by Section 804.001, so provides, and if certain conditions apply. Deletes the condition prohibiting the annuity that would be payable to the person as the alternate payee under the order from exceeding the annuity that would be payable to that person as the retiree's surviving beneficiary under the option selected if the retiree were deceased in order for this subsection to apply. Makes nonsubstantive changes.

SECTION 33. Amends Section 844.007, Government Code, as follows:

Sec. 844.007. New heading: **INTEREST CREDIT FOR OTHER THAN DECEMBER RETIREMENTS**. Provides that a member who retires with an effective retirement date other than December 31 will be credited interest on the beginning balance in the member's individual account from January 1 of the year of retirement to the effective date of retirement. Deletes existing text requiring the adjustments provided in this section to be made in computing the benefits of an to the accounts of any member who retires effective at the end of any month other than December. Deletes existing text providing that interest will be credited on the balance in the member's individual account in the employees saving fund on January 1 of the year of retirement from that date to the effective date of retirement and deletes existing text providing that an amount equal to the interest so computed will be credited to the account in the subdivision accumulation fund for the subdivision that employed the member.

SECTION 34. Amends Sections 844.009(a), (c), and (h), Government Code, as follows:

(a) Authorizes the governing body of a subdivision to authorize partial lump-sum distributions under this section with the consent of the board of trustees. Deletes existing text authorizing 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 (Partial Lump-Sum Distribution on Service Retirement) on the terms provided by Subchapter H (Annually Determined Contribution Rate Plan) or if the board of trustees determines that, based on computations by the retirement system's actuary, the adoption would not impair the ability of the subdivision to fund all obligations against its account in the subdivision accumulation fund before the 20th anniversary of the subdivision's most recent actuarial valuation date.

(c) Prohibits the amount of 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 service with the subdivision, rather than to the credited service, which the member has applied for retirement.

(h) Prohibits any portion of a benefit awarded to an alternate payee under a qualified domestic relations order from being distributed in the form of a lump sum under this section, unless the member and the alternate payee agree in writing that the alternate payee will receive all or a portion of the lump-sum distribution payable under this section instead of or as part of the benefits awarded under the qualified domestic relations order and deletes existing text authorizing the amount of such a lump-sum distribution described in the agreement to be paid directly to the alternate payee in complete satisfaction of the alternate payee's marital property rights and interest in the member's benefit.

SECTION 35. Amends Section 844.010, Government Code, by adding Subsection (d) to authorize the board of trustees to adopt rules concerning the designation, validity, cancellation, revocation, and eligibility of beneficiaries under this subtitle.

SECTION 36. Amends Section 844.101, Government Code, as follows:

Sec. 844.101. APPLICATION FOR SERVICE RETIREMENT ANNUITY. Requires, rather than authorizes, a member to apply to receive a retirement annuity for service by filing a valid application with the retirement system on or before the member's effective retirement date designated on the application.

SECTION 37. Amends Section 844.102, Government Code, as follows:

Sec. 844.102. New heading: SYSTEMWIDE ELIGIBILITY FOR SERVICE RETIREMENT ANNUITY. (a) Provides that a member is eligible to apply for and receive a service retirement annuity if the member is at least 60 years old and has at least 10, rather than 12, years of credited service in the retirement system, has at least 30 years of credited service in the retirement system or has at least 10 years of credited service in the retirement system and the sum of the member's credited service and attained age equals or exceeds the number 80. Deletes existing text including that a member is eligible to apply for and receive a service retirement annuity if the member has met the eligibility requirements for service retirement under Section 844.207 (Optional Benefit Eligibility Plan), 844.210 (Optional Benefit Eligibility Plan Two), 844.211 (Optional Benefit Eligibility Plan Three), or 844.212 (Optional Benefit Eligibility Plan Four).

(b) Provides that a person who has retired under this section with a service retirement annuity is eligible to apply for and receive a service retirement annuity based on the member's accumulated contributions and service credit with any participating subdivision from which the person has terminated employment, rather than only based on the service for another participating subdivision from which the person has terminated employment.

SECTION 38. Amends Subchapter B, Chapter 844, Government Code, by adding Sections 844.1021 and 844.1022, as follows:

Sec. 844.1021. OPTIONAL ELIGIBILITY PROVISIONS FOR SERVICE RETIREMENT. (a) Authorizes a subdivision to adopt any optional service retirement eligibility provision (optional provision) described by this section or authorized by the board of trustees, in accordance with this subtitle.

(b) Prohibits a subdivision from revoking its adoption of an optional provision described by this section. Authorizes a subdivision to adopt an optional provision providing less restrictive eligibility requirements.

(c) Authorizes an optional provision to provide that a member who has at least 10 years of credited service is eligible to apply for retirement if the member has attained age 60 or an age at which the sum of the member's credited service and attained age equals or exceeds the number 75.

(d) Authorizes an optional provision to provide that a member who has at least eight years of credited service is eligible to apply for retirement if the member has attained age 60.

(e) Authorizes an optional provision to provide that a member who has at least five years of credited service is eligible to apply for retirement if the member has attained age 60.

(f) Authorizes an optional provision to provide that a member who has at least 20 years of credited service is eligible to apply for retirement.

(g) Authorizes the board of trustees to authorize additional optional provisions for adoption by participating subdivisions.

(h) Requires the board of trustees to establish rules for recognizing and combining a member's service credited under dissimilar retirement eligibility provisions for purposes of meeting the retirement eligibility provisions of the respective subdivisions.

Sec. 844.1022. SPECIAL ELIGIBILITY PROVISIONS FOR SERVICE RETIREMENT. (a) Authorizes a subdivision, subject to the consent of the board of trustees and effective for the period and on terms that the board of trustees approves, to adopt a special service retirement eligibility provision (special provision) that relates to a singular, identifiable event or action particular to the subdivision and that applies only to its members who satisfy the specific terms of the special provision.

(b) Requires a special provision to bear a rational relationship to the operation, management, and function of the subdivision.

(c) Prohibits a special provision from being adopted or implemented under this section in a manner that has the effect of establishing certain separately identifiable components of the subdivision.

SECTION 39. Amends Sections 844.208(b), (c), and (d), Government Code, as follows:

(b) Provides that the amount of annuity increase under this section is computed as the sum of the basic and supplemental annuities on the effective date of retirement of the person on whose service the annuities are based and is computed as if the person had selected a standard retirement annuity on the person's effective date of retirement. Deletes existing text conditioning that the sum of the basic and supplemental annuities is only computed as if the person had selected a standard retirement annuity on the person's effective date of retirement if the person's current annuity has been increased under Section 844.006(c) or (d) (regarding change of beneficiary or division of benefit for certain persons receiving monthly benefits), 844.104(c)(5) (regarding optional service retirement annuity), or 844.305(c)(5) (regarding optional disability retirement annuity).

(c) Deletes the exception provided by Subsection (g) to the provision that the effective date of an order or resolution under this section is January 1 of the year that begins after the year in which the governing body adopts and notifies the retirement system of the order or resolution.

(d) Provides that an increase in an annuity that was reduced because of a partial lump-sum distribution is reducible in the same proportion and in the same manner that the original annuity was reduced.

SECTION 40. Amends Section 844.209(e), Government Code, to make a conforming change.

SECTION 41. Amends Section 844.301, Government Code, as follows:

Sec. 844.301. New heading: APPLICATION FOR DISABILITY RETIREMENT. (a) Authorizes a member to apply for disability retirement by filing a valid application for retirement with the retirement system on or before the member's effective retirement date designated on the application. Deletes existing text authorizing a member to apply for disability retirement annuity by having an application filed with the system by the member's employer or legal representative. Makes nonsubstantive changes.

(b) Requires an applicant to provide medical and other pertinent information for evaluation by the medical board.

SECTION 42. Amends Subchapter D, Chapter 844, Government Code, by adding Section 844.3011, as follows:

Sec. 844.3011. ANNUITY PAYABLE ON DISABILITY RETIREMENT. Provides that a retirement annuity payable on the disability retirement of a member is equal in amount and equivalent in all respects under this subtitle to a retirement annuity payable on the service retirement of the member at the same age, except for eligibility requirements and as otherwise provided by this subtitle.

SECTION 43. Amends Section 844.302, Government Code, as follows:

Sec. 844.302. ELIGIBILITY FOR DISABILITY RETIREMENT ANNUITY. (a) Provides that a member who is not vested for service retirement beginning on or before the date the member attains age 60 and who has applied for disability retirement, rather than a member who is not a member under Section 844.202 (Vested Eligibility to Future Retirement), to be eligible to receive a disability retirement annuity if the member is the subject of a certification issued as provided by Section 844.303(b)(1) (regarding certification of disability) and deletes existing text providing an exception to this provision as provided by Subsection(c). Makes nonsubstantive changes.

(b) Provides that a member who is vested for service retirement based on service in this system alone beginning on or before the date the member attains age 60 and who has applied for disability retirement, rather than a member who is not a member under Section 844.202, is eligible to receive a retirement annuity if the member is the subject of a certification issued as provided by Section 844.303(b)(2) (regarding certification of disability) and deletes existing text providing an exception to this provision as provided by Subsection(c). Deletes existing text authorizing a member eligible to receive disability retirement annuity under this subsection, if the member is eligible for service retirement, to elect to receive a service retirement annuity but prohibits such a member from receiving both annuities.

(c) Provides that an evaluation by the medical board under Section 844.303 (Certification of Disability) will not be made and requires the retirement system to consider the retirement application as an application filed for service retirement if a member who has filed an application for disability retirement under this subchapter is eligible for service retirement. Deletes existing text providing that a member is not eligible to retire for disability before the first anniversary of the earlier of the effective date of the person's membership or the effective date of participation of the subdivision from which the member had most recently earned credited service.

SECTION 44. Amends Section 844.303, Government Code, as follows:

Sec. 844.303. CERTIFICATION OF DISABILITY. (a) Includes the exception provided by Section 844.302(c) (regarding eligibility for disability retirement annuity) and Subsection (c) of this section to the provision that the medical board is required to evaluate the medical and other pertinent information concerning the member's application as soon as practicable after an application for disability retirement is filed.

(b) Requires the medical board to issue a certification of disability and submit it to the board of trustees if the medical board finds in the case of a member described by Section 844.302(a) (regarding eligibility for disability retirement annuity), rather than a member who is not a vested member under Section 844.202, if certain conditions apply or, if the medical board finds in the case of a member described by Section 844.302(b) (regarding eligibility for disability retirement annuity), rather than a member who is not a vested member under Section 844.202, that certain conditions apply. Deletes existing text including that the member should be retired in order for the medical board to be required to issue a certification of certification of disability and submit it to the board of trustees.

(c) Authorizes the board of trustees to establish a procedure for summary disposition of disability retirement applications without medical board review under facts and circumstances that the board of trustees has determined cause a review by the medical board to be unnecessary. Authorizes the board of trustees to delegate to the director the authority and discretion to make determinations under the summary disposition procedure and, if appropriate, issue a certification of disability described by Subsection (b) or refer the matter to the medical board. Provides that the director is not authorized under this section to make a finding that an applicant is not permanently incapacitated.

(d) Authorizes the board of trustees to define terms and standards to be applied by the medical board in making its determinations and requires the board of trustees to establish such other rules as the board considers necessary to administer this subchapter.

SECTION 45. Amends Section 844.3051, Government Code, as follows:

Sec. 844.3051. New heading: DISABILITY RETIREMENT CONSIDERED SERVICE RETIREMENT. (a) Prohibits the retirement annuity of a disability retiree from being terminated under this subchapter after the earlier of the date a disability retiree attains age 60 or the date the disability retiree would otherwise be eligible for service retirement under this subtitle. Deletes existing text providing that at the earlier of such dates the retiree is also not subject to further medical examinations or required to submit annual earnings reports.

(b) Provides that the disability retirement of a disability retiree described by Subsection (a), rather than a disability retirement annuity that is not subject to revocation or discontinuance, is considered for all purposes under this subtitle as a service retirement, rather than being considered a service retirement annuity if the retiree returns to employment with a participating subdivision.

SECTION 46. Amends Sections 844.306(a) and (c), Government Code, as follows:

(a) Authorizes the board of trustees, in accordance with rules and procedures established by the board, to require a disability retiree, until the date a disability retirement is considered a service retirement under Section 844.3051, to undergo a medical examination and provide current medical and other information reaffirming the status of the retiree as disabled within the meaning of this subchapter once each year during the first five years after a person retires for disability and once in each three-year period after that.

(c) Authorizes the board of trustees to cancel the disability retirement and terminate the retirement annuity if a disability retiree refuses to submit to medical examination or fails to provide current medical or other information confirming the status of the retiree as disabled, rather than requiring the board of trustees to suspend the retiree's annuity payments until the retiree submits to an examination if a disability retiree refuses to submit to a medical examination as provided by this section. Deletes existing text requiring the board of trustees to revoke all rights of the retiree to an annuity if a retiree has not submitted to an examination as provided by this section before the first anniversary of the date of refusal.

SECTION 47. Amends Section 844.307, Government Code, as follows:

Sec. 844.307. New heading: CANCELLATION OF DISABILITY RETIREMENT. (a) Requires the medical board to certify its findings and submit them to the board of trustees if the medical board finds that a disability retiree has experienced medical improvement to the extent that the retiree is no longer mentally or physically incapacitated, rather than if the medical board finds that a disability retiree is no longer mentally or physically incapacitated for the performance of duty or is engaged in or able to engage in gainful occupation.

(b) Authorizes the board of trustees to adopt the finding of the medical board and cancel the disability retirement and terminate annuity payments to the retiree in accordance with rules and procedures adopted by the board of trustees, rather than requiring the board of trustees only to discontinue annuity payments to the retiree if the board of trustees concurs in a certification under this section.

SECTION 48. Amends Section 844.309, Government Code, as follows:

Sec. 844.309. New heading: ADJUSTMENTS AT ANNUITY TERMINATION. (a) Requires the retirement system to transfer a certain amount from the current service annuity reserve fund to the person's individual account in the employees saving fund and the subdivision accumulation fund if a disability retirement is canceled and the retirement annuity terminated under this subchapter, rather than if a person's membership resumes under Section 844.308 (Return of Disability Retiree to Membership), and provides that such a person automatically resumes membership in the retirement system.

(b) and (c) Makes conforming changes.

(d) Makes no changes to this subsection.

SECTION 49. Amends Section 844.405, Government Code, as follows:

Sec. 844.405. TRUST AS BENEFICIARY. (a) Authorizes a member or retiree to designate multiple trusts as beneficiaries for the payment of benefits from the system in the same manner and with the same limitations that apply to the designation of multiple beneficiaries, except as limited, rather than provided, by Subsection (b).

(b) Prohibits multiple trusts or a single trust having multiple beneficiaries, rather than only a trust having more than one beneficiary, from receiving benefits to which multiple designated beneficiaries are not eligible under this chapter (Benefits).

SECTION 50. Amends the heading to Section 844.407, Government Code, to read as follows:

Sec. 844.407. SURVIVOR ANNUITY

SECTION 51. Amends Sections 844.407(a)-(e), Government Code, as follows:

(a) Redefines "eligible member."

(b) Authorizes an annuity described by this section to be paid on the death of an eligible member who had not filed an application for retirement or whose application for retirement had been revoked or canceled under Section 844.005 (When Annuity is Payable; Changes Before First Payment) instead of any other benefit allowed under this subtitle other than an optional group term life benefit. Deletes existing text authorizing an annuity described by this section to be selected and paid on the death of an eligible member before the effective date of the member's retirement instead of any other benefit allowed under this subtitle and provides an exception that a supplemental death benefit under Subchapter F (Optional Death Benefits) is authorized to also be paid.

(c) Provides that an annuity under this section is payable to the valid beneficiary designated on the unrevoked form most recently executed by the member and filed with the system naming a beneficiary. Provides that if no valid beneficiary exists or if the member died without having designated a valid beneficiary, the annuity is payable to the deceased member's surviving spouse, or if no surviving spouse exists, to the deceased member's estate. Deletes existing text authorizing an eligible member, before the effective date of the member's retirement, to file with the board of trustees on a form prescribed by the board of trustees a selection of an optional service retirement annuity available under Section 844.104 (Optional Retirement Service Annuity) and a designation of beneficiary.

(d) Requires any annuity payable under this section to be actuarially equivalent to the deceased member's benefit accrued under this subtitle determined as of the last day of the month preceding the month of the member's death. Provides that the annuity is payable in the form and manner authorized by the board of trustees. Deletes existing text authorizing a member who is entitled under this section to select one of the optional service retirement annuities authorized by Section 844.104 to elect instead to name a beneficiary who, on the death of the member before retirement, will be allowed to choose any benefit that the member could have chosen to be paid to the beneficiary with like effect as if the selection had been made by the member.

(e) Provides that an annuity under this section is payable from the same accounts and is subject to the same conditions that are applicable to a service retirement benefit for the same member. Deletes existing text providing that 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) if no application for deferred service retirement was on file with the retirement system on December 31, 1999.

SECTION 52. Amends Section 844.408(b), Government Code, to authorize the heirs of a deceased member to apply for and receive a refund or an annuity if the administrator of a deceased member's estate would be entitled to a refund or an annuity because of the death of the member and certain other conditions are met, rather than authorizing the heirs of the deceased member to make an election if a surviving spouse or the executor or administrator of a deceased member's estate would be entitled to make an election under Section 842.110 (Resumption of Service by Retiree), or if a beneficiary or the executor or administrator of a deceased member's estate would be entitled to make an election under Section 844.407 because of the death of the member and certain conditions are met. Deletes the condition of no surviving spouse existing, or if Section 844.407 is applicable, no surviving beneficiary exists for this subsection to apply. Includes that the value of the entire assets of the member's probate estate, excluding homestead and exempt property, is prohibited from exceeding \$50,000 in order for this subsection to apply. Makes nonsubstantive changes.

SECTION 53. Amends the heading to Subchapter F, Chapter 844, Government Code, to read as follows:

SUBCHAPTER F. OPTIONAL GROUP TERM LIFE PROGRAM

SECTION 54. Amends Section 844.501, Government Code, as follows:

Sec. 844.501. New heading: COVERAGE IN OPTIONAL GROUP TERM LIFE PROGRAM. Redesignates the supplemental death benefit program as the optional group term life program.

SECTION 55. Amends the heading to Section 844.502, Government Code, to read as follows:

Sec. 844.502. EXTENDED OPTIONAL GROUP TERM LIFE COVERAGE.

SECTION 56. Amends Section 844.502(a), Government Code, to make conforming changes.

SECTION 57. Amends the heading to Section 844.503, Government Code, to read as follows:

Sec. 844.503. MEMBER OPTIONAL GROUP TERM LIFE.

SECTION 58. Amends Sections 844.503(b) and (d), Government Code, to make conforming changes.

SECTION 59. Amends Sections 844.504 and 844.505, Government Code, to make conforming and nonsubstantive changes.

SECTION 60. Amends the heading to Subchapter G, Chapter 844, Government Code, to read as follows:

SUBCHAPTER G. FIXED CONTRIBUTION RATE PLAN

SECTION 61. Amends Section 844.606(f), Government Code, to require the lower percentage to be used in determining multiple matching credits provided for by Subsection (b) (regarding matching credits for contributions to the subdivision accumulation fund) to be a multiple of five, rather than 10, percent of the amount of member contributions.

SECTION 62. Amends Subchapter G, Chapter 844, Government Code, by adding Section 844.609, as follows:

Sec. 844.609. INCREASE IN SERVICE CREDITS AND ADOPTION OF BENEFIT OPTIONS. (a) Authorizes a subdivision, other than a county, not otherwise subject to the provisions of Subchapter H (Annually Determined Contribution Rate Plan) to by order or resolution increase the percentages used to determine multiple matching credits and allocated prior service credits in the same manner and to the same extent as if it were a subdivision subject to the provisions of Subchapter H.

(b) Authorizes a subdivision, other than a county, not otherwise subject to the provisions of Subchapter H to by order adopt or authorize any option described by Section 844.704(d) (regarding adopting an annually determined contribution rate plan) in the same manner and to the same extent as if it were a subdivision subject to the provisions of Subchapter H.

(c) Prohibits a subdivision, other than a county, from adopting an increase in service credits or an additional benefit option under this section, or adopting an increase in the rate of member contributions under Section 845.402 (Member Contributions), unless the actuary determines that the amortization period for all obligations of the subdivision, inclusive of any increase or additional benefit option, does not exceed 20 years.

(d) Authorizes a subdivision, other than a county, to adopt a supplemental contribution rate under this subchapter of any percentage that the actuary determines will not cause the amortization period for all obligations of the subdivision to exceed 20 years, notwithstanding Section 844.605(c) (regarding supplemental contribution rate for certain subdivisions).

SECTION 63. Amends Section 844.703(e), Government Code, to make a conforming change.

SECTION 64. Amends Sections 844.704(a) and (d), Government Code, as follows:

(a) Changes the application of determining multiple matching credits under Section 843.403 (Determination of Current Service Credit and Matching Credit) to Section 843.402.

(d) Authorizes the governing body of a subdivision to adopt or authorize the establishment of credited service for military service under Section 843.502(c), rather than Section 843.601(c). Authorizes the governing body of a subdivision to adopt or authorize an optional service retirement eligibility provision described by Section 844.1021, rather than the benefit eligibility plan described by Section 844.210, 844.211, or 844.212.

SECTION 65. Amends Section 845.003(b), Government Code, to delete existing text prohibiting a person from acting as a trustee if that person serving as a trustee ceases to meet an eligibility requirement under Subsection (a).

SECTION 66. Amends Section 845.007, Government Code, by amending Subsection (c) and adding Subsections (e) and (f), as follows:

(c) Provides an exception to the provision requiring all meetings of the board of trustees to be open to the public for anything permitted by Section 845.301(a-1), Chapter 551 (Open Meetings), or other law.

(e) Authorizes the board of trustees to hold an open or closed meeting by telephone conference call, videoconference, or other similar telecommunications method, notwithstanding Chapter 551 or any other law. Authorizes the board of trustees to use a telephone conference call, videoconference, or other similar telecommunication method for purposes of establishing a quorum or voting for any other meeting purpose in accordance with Subsection (f) and this subsection. Provides that this subsection applies without regard to the subject matter discussed or considered by the board of trustees at the meeting.

(f) Requires certain standards to be followed when a meeting is held by telephone conference call, videoconference, or other similar telecommunications method.

SECTION 67. Amends Section 845.102, Government Code, as follows:

Sec. 845.102. New heading: RULES AND STANDARDS. (a) Creates this subsection from existing text.

(b) Authorizes the board of trustees, subject to the provisions of this subtitle, to establish systemwide standards to which all subdivisions are subject and that apply to all members of the retirement system or to all members similarly situated in a class. Authorizes the board of trustees to establish or modify a systemwide standard at a time and in a manner that the board of trustees determines to be appropriate and in the best interest of the retirement system, the members, or their beneficiaries.

SECTION 68. Amends Subchapter B, Chapter 845, Government Code, by adding Section 845.111, as follows:

Sec. 845.111. INSURANCE. Authorizes the board of trustees to self-insure or purchase any insurance they consider reasonable and prudent for the performance of their duties and prerogatives.

SECTION 69. Amends Section 845.114, Government Code, as follows:

Sec. 845.114. New heading: DEFINITION OF PARTICIPANT; OBTAINING INFORMATION. (a) Defines "participant."

(b) Requires the retirement system, rather than the board of trustees, to obtain from participants and subdivisions, rather than from a member or a participating subdivision, information necessary for the proper operation and administration of the system, rather than information necessary for the proper operation of the retirement system. Makes a nonsubstantive change.

(c) Requires each participant and subdivision to timely provide to the retirement system in the form and manner specified by the system information the board of trustees determines to be necessary for the proper operation and administration of the system. Deletes existing text authorizing the board of trustees to require reports from the participating subdivision with certain requirements for the efficient handling of members' deposits.

SECTION 70. Amends the heading to Section 845.115, Government Code, to read as follows:

Sec. 845.115. CONFIDENTIALITY OF PARTICIPANT INFORMATION.

SECTION 71. Amends Section 845.115, Government Code, by amending Subsections (a) and (d) and adding Subsections (b-1), (e), and (f), as follows:

(a) Provides that information contained in records in the custody of the retirement system or maintained in the custody of another governmental entity or an administrator or carrier acting in cooperation with or on behalf of the retirement system concerning a participant, rather than an individual member, retiree, annuitant, or beneficiary, is confidential. Provides that, except as otherwise provided by this section, the retirement system is not required to accept or comply with a request for a record or information about a record of a participant or to seek an opinion from the attorney general because the records of a participant are exempt from the public information provisions of Chapter 552 (Public Information). Makes conforming changes.

(b-1) Provides that this section does not require the retirement system to compile or disclose a list of participants' names, addresses, Social Security numbers, or other descriptive or demographic information.

(d) Makes a conforming change.

(e) Provides that the records of a participant remain confidential after release to a person as authorized by this section. Authorizes the records of the participant to become part of a public record of an administrative or judicial proceeding and provides that the participant waives the confidentiality of the records, including medical records, unless the records are closed to public access by a protective order issued under applicable law.

(f) Defines "participant."

SECTION 72. Amends Subchapter B, Chapter 845, Government Code, by adding Section 845.1151, as follows:

Sec. 845.1151. ELECTRONIC INFORMATION. (a) Defines "participant."

(b) Authorizes the retirement system to provide confidential information electronically to a participant and to a subdivision and receive information electronically from those persons, including by use of an electronic signature or certification in a form acceptable to the retirement system. Provides that an unintentional disclosure to, or unauthorized access by, a third party related to the transmission or receipt of information under this section is not a violation by the retirement system of any law, including a rule relating to the protection of confidential information.

SECTION 73. Amends Section 845.203(b), Government Code, to delete existing text requiring the attorney appointed by the board of trustees to represent the retirement system in all litigation.

SECTION 74. Amends Section 845.301, Government Code, by amending Subsection (a) and adding Subsection (a-1), as follows:

(a) Provides that an interest in a limited partnership or investment contract is considered a security without regard to the number of investors or the control, access to information, or rights granted to or retained by the retirement system. Sets forth the instruments and contracts that are considered to be securities.

(a-1) Authorizes the board of trustees to discuss an investment or potential investment with one or more employees of the retirement system or with a third party to the extent permitted to the board of trustees of the Texas growth fund under Section 551.075 (Conference Relating to Investments and Potential Investments Affected by Board of Trustees of Texas Growth Fund; Closed Meeting), notwithstanding any provision of Chapter 551 or any other law.

SECTION 75. Amends Section 845.303(b), Government Code, to delete existing text conditioning an indemnification agreement satisfactory in form and content to the retirement system to fully indemnify the retirement system against loss resulting from its operation of a securities lending program for the systems securities as a requirement for a bank or brokerage firm to be eligible to lend securities under this section (regarding securities lending).

SECTION 76. Amends Section 845.305(c), Government Code, to require amounts contributed by a subdivision to provide benefits under the program, rather than to provide optional group term life insurance, for its participating employees and retirees to be deposited to the optional group term life fund, rather than the fund of the supplemental death benefits trust, and maintained by the board of trustees as the optional group term life trust.

SECTION 77. Amends the heading to Section 845.312, Government Code, to read as follows:

Sec. 845.312. OPTIONAL GROUP TERM LIFE FUND.

SECTION 78. Amends Sections 845.312(a) and (b), Government Code, to make conforming changes.

SECTION 79. Amends Section 845.313, Government Code, by adding Subsection (d), to authorize the retirement system to hold or suspend any payment and require the individual to accept payment by another means or method that is practical, secure, and cost-effective if payment by check to an individual would be, or has become, impractical, insecure, or proportionally more costly for the retirement system than payment by check to other persons.

SECTION 80. Amends Section 845.314, Government Code, as follows:

Sec. 845.314. INTEREST RATES. Provides that the annual rate of interest is seven percent for periods beginning after December 31, 1996, unless this subtitle expressly states another specified rate of interest. Deletes existing text setting forth the previous calculation for computing rates of interest and provisions related to such computed rates.

SECTION 81. Amends the heading to Section 845.316, Government Code, to read as follows:

Sec. 845.316. TRANSFER OF ASSETS ON RETIREMENT.

SECTION 82. Amends Section 845.316(a), Government Code, to make a nonsubstantive change.

SECTION 83. Amends Section 845.317, Government Code, by amending Subsection (b) and adding Subsection (d), as follows:

(b) Makes nonsubstantive changes.

(d) Authorizes the board of trustees to close the subdivision's account and transfer the remaining credit to the endowment fund if a participating subdivision has ceased to exist

and diligent efforts by the retirement system to identify a governmental entity as the successor in interest to the subdivision have been unsuccessful.

SECTION 84. Amends the heading to Section 845.318, Government Code, to read as follows:

Sec. 845.318. CONSOLIDATION OF COUNTY'S ACCOUNTS IN SUBDIVISION ACCUMULATION FUND; RETURN OF EXCESS FUNDS.

SECTION 85. Amends Section 845.318, Government Code, by adding Subsection (c), to require the retirement system to pay to the county any excess funds remaining in the subdivision accumulation fund to the credit of the account of the county hospital if the participation of a county hospital as a subdivision separate from other county employees is terminated under this subtitle.

SECTION 86. Amends Subchapter E, Chapter 845, Government Code, by adding Section 845.4031, as follows:

Sec. 845.4031. CONTRIBUTIONS IN ANTICIPATION OF PARTICIPATION. (a) Authorizes a subdivision, with the consent of the director and after the subdivision has officially elected to join the retirement system and has specified the date for its participation to begin, to begin deducting from an employee's compensation for each payroll period beginning on or after the specified participation date the contribution that would be deducted if the subdivision were then participating.

(b) Requires the subdivision to collect and segregate the amounts deducted from its employees' compensation and the contributions that the subdivision would be required to make under this subtitle (Public Retirement Systems) if it were then participating.

(c) Prohibits the period during which contributions may be deducted from an employee's compensation in anticipation of board of trustees approval of participation from exceeding six months and prohibits such a period from extending into a subsequent calendar year without consent of the board of trustees. Prohibits, during the period that board of trustees approval is pending, the subdivision from participating in the program and the subdivision's employees from being covered by the program.

(d) Requires, on approval of participation, the subdivision to immediately transfer to the retirement system, for credit to the appropriate funds within the system, the amounts collected and segregated under Subsection (b). Provides that participation in the program begins on the first day of the month following the month in which the board of trustees approves participation in the system if the subdivision previously elected to participate in the program.

(e) Requires the subdivision to pay all employee contributions collected and segregated in anticipation of board of trustees approval to the employees from whom the contributions were withheld if the board of trustees disapproves the subdivision's participation in the retirement system.

SECTION 87. Amends Section 845.406, Government Code, as follows:

Sec. 845.406. New heading: OPTIONAL GROUP TERM LIFE PROGRAM. Makes conforming changes.

SECTION 88. Amends Section 845.503, Government Code, as follows:

Sec. 845.503. AUTHORITY TO RECOUP OR MAKE ADJUSTMENTS FOR PAYMENTS MADE IN ERROR. (a) Includes a former member, annuitant, and beneficiary as those persons who or upon behalf of make an error for the application of the provision that the retirement system is authorized to reduce payments of benefits

based on the account of a member, a retiree, or other former member to recoup an amount overpaid or otherwise paid in error to or on behalf of certain persons.

(b) Makes a conforming change.

(c) Authorizes the retirement system to adjust amounts in a subdivision's account in the subdivision accumulation fund to correct an error caused by an act or omission of the subdivision, rather than to correct an error related to the account.

SECTION 89. Amends the heading to Section 845.505, Government Code, to read as follows:

Sec. 845.505. UNDISTRIBUTED BENEFITS.

SECTION 90. Amends Section 845.505, Government Code, by amending Subsections (b), (c), (d), (e), (f), and (i) and adding Subsection (f-1), as follows:

(b) Deletes existing text requiring a notice under this section to include a statement that a failure to file a valid application for benefits may cause unclaimed benefits to be forfeited to the retirement system. Makes nonsubstantive changes.

(c) Requires the retirement system to pay an annuity computed as of a former member's effective retirement date as determined under that section, rather than the date on which the annuity would have been required to begin under this subtitle, if the person files with the retirement system a valid application for an annuity based on a membership that terminated under Section 842.109(b).

(d) Authorizes an applicant who is a former member to select the standard retirement annuity or an optional retirement annuity under Section 844.0041(c) or (d), rather than under Section 844.104. Authorizes an applicant who is the surviving beneficiary or the personal representative of a deceased former member to select an annuity payable in a form authorized by the board of trustees under Section 844.407. Deletes existing text authorizing an applicant who is the surviving spouse of a deceased former member to select an optional service retirement annuity under Section 844.104. Deletes existing text providing that the annuity will be computed as an annuity under Section 844.104(c)(7) if the applicant is not the former member or surviving spouse. Makes a nonsubstantive change.

(e) Requires the retirement system to pay to the applicant the portion of a former member's accumulated contributions or the portion of the optional group term life benefits to which a applicant is entitled if the person files with the retirement system a valid application for a refund of a former member's accumulated contributions or a valid application for a benefit payable under the program.

(f) Authorizes the retirement system to hold or delay payment of any benefit until certain information is provided if a person eligible to receive a benefit fails to provide accurate and verifiable information. Authorizes the retirement system to suspend and hold all benefit payments until certain failures that interfere or impede the efficient administration of the retirement system are corrected if a person receiving an annuity performs such failures. Deletes existing text authorizing the retirement system to send a notice to a person with a certain statement regarding suspension if a person receiving an annuity fails to negotiate more than five consecutive annuity payments. Deletes existing text requiring the retirement system to resume making monthly payments after a receipt of a valid application. Deletes existing text providing 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 no beneficiary exists, to the annuitant's estate.

(f-1) Requires the retirement system to pay to the person receiving a continuation of an optional annuity any amount held by the system to which the deceased person was entitled. Provides that any amount held by the retirement system to which a deceased

person was entitled is payable under rules and procedures adopted by the board of trustees if the annuity terminates with the death of the person.

(i) Provides that held, delayed, and suspended benefits are the types of benefits that the board of trustees is authorized to adopt rules concerning. Authorizes the board of trustees to adopt rules concerning the distribution of benefits to an alternate payee under a qualified domestic relations order with respect to a terminated membership.

SECTION 91. Amends Section 845.506, Government Code, as follows:

Sec. 845.506. APPEAL OF ADMINISTRATIVE DECISION. (a) Provides that a decision of the retirement system is final and conclusive unless an appeal is filed in writing with the retirement system by regular mail or electronic filing, as that term is defined by Section 845.116(a)(1) (regarding electronic transfer of funds and electronic filing of documents), not later than the 90th day after the earlier of the date the person subject to the decision receives notice of the decision by any means or the date the retirement system files notice of its decision with the person by regular mail or electronic means.

(b) Authorizes a person to appeal a decision to the board of trustees if the person is aggrieved by a decision of the retirement system relating to the retirement system or any program administered by the retirement system under this subtitle that denies or limits membership, service credit, or eligibility for or the amount of benefits payable by the retirement system or regards to whom benefits should be paid under the retirement system or program.

(c) Authorizes the director or the director's designee to refer an appeal made under Subsection (a) to the State Office of Administrative Hearings (SOAH) for a hearing or employ, select, or contract for the services of an administrative law judge or hearing examiner not affiliated with SOAH to conduct a hearing. Provides that this subsection prevails over any other law to the extent of any conflict.

(d) Provides that an appeal under this section is considered to be a contested case under Chapter 2001 (Administrative Procedure) and provides that an appellant in such a case has the burden of proof on all issues, including issues in the nature of an affirmative defense.

(e) Authorizes the board of trustees to, in its sole discretion, make a final decision on a contested case under this section. Authorizes the board of trustees to, in its sole discretion and notwithstanding any other law, refuse to accept or delete any proposed finding of fact or conclusion of law contained in a proposal for decision submitted by an administrative law judge or other hearing examiner, or make alternative findings of fact and conclusions of law, in a proceeding considered to be a contested case under Chapter 2001. Requires the board of trustees to state in writing the specific reason for its determination and authorizes the board of trustees to adopt rules for implementation of this subsection. Authorizes the board of trustees to delegate its authority under this subsection to the director.

(f) Authorizes the retirement system and a person aggrieved by a decision of the system to at any time informally negotiate an award of benefits, notwithstanding Subsections (d) and (e). Prohibits negotiated benefits from exceeding the maximum benefits otherwise available or required by law.

(g) Provides that a final decision of the board of trustees in a contested case under this section is subject to judicial review under Chapter 2001. Provides that the standard of review is by substantial evidence and the venue the appeal is only in a district court in Travis County. Deletes existing text providing 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 Section 2001.174 (Review Under Substantial Evidence Rule or Undefined Scope of Review), Section 2001.175 (Procedures for Substantial Evidence Rule or Undefined Scope of Review), Section 2001.176 (Petition Initiating Judicial Review), and Section 2001.177 (Cost of Preparing Agency Record).

SECTION 92. Repealers in the Government Code:

- (1) Section 842.001(b) (regarding subdivision notification);
- (2) Section 842.006 (Merger);
- (3) Sections 842.108(a) and (a-1) (regarding withdrawal of accumulated contributions);
- (4) Section 842.109(d) (regarding termination of membership in the retirement system);
- (5) Section 843.103 (Statement of Prior Service);
- (6) Sections 843.104(b) and (c) (regarding computing average prior service compensation);
- (7) Section 843.108 (Restricted Credit for Previous Service);
- (8) Section 843.201(d) (regarding allocated prior service credits);
- (9) Section 843.403 (Determination of Current Service Credit and Matching Credit);
- (10) the heading to Subchapter G (Optional Current Service), Chapter 843;
- (11) Subchapter H (Optional Increases in Service Credits), Chapter 843;
- (12) Sections 844.009(d) and (g) (regarding partial lump-sum distribution on service retirement);
- (13) Section 844.103 (Standard Service Retirement Annuity);
- (14) Section 844.104 (Optional Service Retirement Annuity);
- (15) Section 844.202 (Vested Eligibility to Future Retirement);
- (16) Section 844.207 (Optional Benefit Eligibility Plan);
- (17) Section 844.208(g) (regarding optional increase in retirement annuities);
- (18) Section 844.209(g) (regarding alternative optional increase in retirement annuities);
- (19) Section 844.210 (Optional Benefit Eligibility Plan Two);
- (20) Section 844.211 (Optional Benefit Eligibility Plan Three);
- (21) Section 844.212 (Optional Benefit Eligibility Plan Four);
- (22) Section 844.304 (Standard Disability Retirement Annuity);
- (23) Section 844.305 (Optional Disability Retirement Annuity);
- (24) Section 844.306(b) (regarding the medical examination of a disability retiree);
- (25) Section 844.308 (Return of Disability Retiree to Membership);

(26) Section 844.310 (Report of Earnings of Disability Retiree);

(27) Section 844.407(f)-(j) (regarding survivor annuity death benefit);

(28) Section 844.704(c) (regarding adopting the optional benefit eligibility plan described under Section 844.207 as a condition of adopting the annually determined contribution rate plan);

(29) Section 845.304 (Cash on Hand); and

(30) Sections 845.316(b) and (c) (regarding the transfer of assets on retirement or restoration to active duty)

SECTION 93. Provides that Section 841.001, Government Code, as amended by this Act, applies to Sections 94 through 97 of this Act.

SECTION 94. Provides that the accumulated contributions attributable to a membership in the retirement system that was terminated before January 1, 2005, under prior law because of absence from service, are held by the retirement system in a nointerest-bearing account and prohibits such from being considered deposits under Section 843.003 or 843.0031, Government Code, as amended by this Act, until the person again becomes a member of the retirement system, is eligible under Section 843.003 or 843.0031, Government Code, as amended by this Act, and submits an application to the retirement system.

SECTION 95. Provides that Sections 844.102(a)(1) and (3), Government Code, as amended by this Act, do not apply to a participating subdivision in the retirement system that on December 31, 2007, required 12 years of credited service before service retirement from the system at age 60 or older. Provides that the 12-year credited service requirement to meet the minimum eligibility for service retirement at age 60 or older remains in effect for a subdivision described by this section. Authorizes a subdivision described by this subsection to subsequently elect to Section 844.102, Government Code, as amended by this Act, effective on the date the election is made.

SECTION 96. Provides that a member of the retirement system who on December 31, 1999, had any eligible credited service with a subdivision that as of that date authorized a service retirement annuity for a member when the sum of the member's age and credited service equaled or exceeded a specified number, who membership in the retirement system continued after that date without interruption, who has accumulated at least four years of eligible credited service, and whose membership is terminated under Section 842.108(b) (regarding withdrawal of accumulated contributions), Government Code, because of the requirements of Section 841.010, Government Code, is immediately eligible to retire and receive a service retirement annuity computed without actuarial reduction because of the failure to satisfy a required service eligibility provision in effect for the subdivision on the date the annuity is computed.

SECTION 97. Authorizes, effective September 1, 2007, a participating subdivision in the retirement system that elected before January 1, 1978, to provide a ratio of current service credits to member contributions that is greater than one-to-one, resulting in the larger portion of a member's total service credits consisting of current service credits, to by order of its governing body adopted before January 1, 2008, continue the ratio of current service credits in effect on December 31, 2007, and be exempt from the change in law made to Section 843.003, Government Code, by this Act. Prohibits the total service credits accumulated by a member from being reduced as the result of an action or lack of an action taken under this section.

SECTION 98. (a) Effective date: January 1, 2008, except as provided by Subsection (b).

(b) Effective date for Sections 844.609 and 845.4031, Government Code, as added by this Act, and Section 97 of this Act: September 1, 2007.