

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**May 2, 2007**

**TO:** Honorable Robert Duncan, Chair, Senate Committee on State Affairs

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB3392** by Guillen (Relating to member contributions and to the resumption of employment by certain retirees within the Texas Municipal Retirement System.), **As Engrossed**

**No fiscal implication to the State is anticipated.**

The bill would amend the Government Code as it relates to the Texas Municipal Retirement System (TMRS) to allow an employee who retires due to privatization of their department, and who later resumes employment in the same or successor department for the same municipality, to continue to receive their retirement benefit. Additionally, the bill would require TMRS to provide a 60-day window each year to allow members to contribute an additional amount into their individual account. That member's participating municipality may, at their option, match the member's contribution. Resumption of annuity payments would apply to a person who meets eligibility requirements under the proposed new statute and who resumed employment prior to the effective date of the bill. Resumption would begin on the first payment date occurring on or after the effective date of the bill. Such persons would not be entitled to recover payments not made during the period the annuity was suspended under the current statute and the effective date of the bill.

The bill would take effect immediately if it were to receive the required two-thirds vote in each house; otherwise, it would take effect September 1, 2007.

**Local Government Impact**

TMRS reports that the system anticipates some impact on plan funding requirements as a result of the additional member contributions during the proposed yearly 60-day period. TMRS assumes that the additional contributions would have to be after tax and would require separate handling from the current contributions. TMRS states that this would necessitate expanding current TMRS staff to accommodate the change. The change would expand the scope of TMRS to include a limited defined contribution plan. Beyond the administrative issues involved in constructing such a plan, additional significant member communications would have to be developed and distributed. It is further possible that, given the availability of 457 and other types of tax deferred savings plans, the actual usage of an after tax savings vehicle under TMRS would have limited appeal resulting in a significantly higher per person cost than is now available under a city sponsored 457 plan.

According to the TMRS, the number of persons to whom the provisions regarding resumption of annuities for the specified retired persons who returned to work at the same municipality would apply would not be enough to have a significant fiscal impact on the system nor on the participating municipalities.

Regarding the option to match supplemental contributions made, if a municipality elects to match the supplemental contributions made, the city would incur additional costs. TMRS reports that planning for this additional cost would be difficult because both participation by an employee-member and the amount of the supplemental contribution are at the discretion of the employee-member. The Legislative Budget Board assumes that a municipality would choose to match supplemental contributions only if the municipality could absorb the additional costs within its current resources.

**Source Agencies:**

**LBB Staff:** JOB, KJG, DB