

SENATE AMENDMENTS

2nd Printing

By: Guillen, et al.

H.B. No. 3392

A BILL TO BE ENTITLED

AN ACT

1

2 relating to member contributions and to the resumption of
3 employment by certain retirees within the Texas Municipal
4 Retirement System.

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

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SECTION 1. Sections 852.108(a) and (b), Government Code,
are amended to read as follows:

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(a) In this section and Sections 852.1085 and [~~Section~~]
852.109, a person's reemploying municipality is the municipality
for which the person was performing creditable service at the time
of the person's retirement under this subtitle.

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(b) Except as provided by Section 852.1085, a [A] person who
has retired with a service retirement benefit under this subtitle
and later becomes an employee of the person's reemploying
municipality also becomes a member of the system on the date of
employment, but credits and benefits allowable to the person under
this subtitle are limited as provided by this section.

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SECTION 2. Subchapter B, Chapter 852, Government Code, is
amended by adding Section 852.1085 to read as follows:

Sec. 852.1085. RESUMPTION OF SERVICE WITH SAME EMPLOYER BY
CERTAIN RETIREES. Notwithstanding Section 852.108, a person who
retired because the department in the municipality in which the
person worked was privatized and who later resumes employment in
the same department or a successor department in the person's

1 reemploying municipality again becomes a member of the retirement
2 system and the person's retirement annuity is not suspended in the
3 same manner provided by Section 852.109 for a person who resumes
4 employment with a different municipality.

5 SECTION 3. Subchapter E, Chapter 855, Government Code, is
6 amended by adding Section 855.4011 to read as follows:

7 Sec. 855.4011. ADDITIONAL MEMBER CONTRIBUTIONS. To the
8 extent a contribution under this section does not affect the status
9 of the retirement system's benefit plan as a qualified plan under
10 Section 855.607, the retirement system shall provide a 60-day
11 period each year during which a member may make an additional member
12 contribution into the member's individual account in an amount
13 determined by the member. The participating municipality may, at
14 the municipality's option, match the amount of a member's
15 contribution under this section.

16 SECTION 4. (a) A person who resumed employment after
17 retirement and whose annuity was suspended under Section 852.108,
18 Government Code, as that section existed before amendment by this
19 Act, is entitled to the resumption of monthly annuity payments if
20 the person meets the requirements of Section 852.1085, Government
21 Code, as added by this Act.

22 (b) The Texas Municipal Retirement System shall resume
23 making monthly annuity payments to a person described by Subsection
24 (a) of this section on the first payment date occurring on or after
25 the effective date of this Act.

26 (c) A person who is entitled to the resumption of monthly
27 annuity payments under this section is not entitled to recover

1 payment for annuity payments not made during the period the
2 person's annuity was suspended under Section 852.108, Government
3 Code, as that section existed before amendment by this Act.

4 SECTION 5. This Act takes effect immediately if it receives
5 a vote of two-thirds of all the members elected to each house, as
6 provided by Section 39, Article III, Texas Constitution. If this
7 Act does not receive the vote necessary for immediate effect, this
8 Act takes effect September 1, 2007.

ADOPTED

MAY 10 2007

Atty. Gen.
Secretary of the Senate

By: *Zaffirini*

H.B. No. 3392

Substitute the following for H.B. No. 3392:

By: *Carne*

C.S. H.B. No. 3392

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the resumption of employment by certain retirees within
3 the Texas Municipal Retirement System.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Sections 852.108(a) and (b), Government Code,
6 are amended to read as follows:

7 (a) In this section and Sections 852.1085 and [Section]
8 852.109, a person's reemploying municipality is the municipality
9 for which the person was performing creditable service at the time
10 of the person's retirement under this subtitle.

11 (b) Except as provided by Section 852.1085, a [A] person who
12 has retired with a service retirement benefit under this subtitle
13 and later becomes an employee of the person's reemploying
14 municipality also becomes a member of the system on the date of
15 employment, but credits and benefits allowable to the person under
16 this subtitle are limited as provided by this section.

17 SECTION 2. Subchapter B, Chapter 852, Government Code, is
18 amended by adding Section 852.1085 to read as follows:

19 Sec. 852.1085. RESUMPTION OF SERVICE WITH SAME EMPLOYER BY
20 CERTAIN RETIREES. Notwithstanding Section 852.108, a person who
21 retired because the department in the municipality in which the
22 person worked was privatized and who later resumes employment in
23 the same department or a successor department in the person's
24 reemploying municipality again becomes a member of the retirement

1 system and the person's retirement annuity is not suspended in the
2 same manner provided by Section 852.109 for a person who resumes
3 employment with a different municipality.

4 SECTION 3. (a) A person who resumed employment after
5 retirement and whose annuity was suspended under Section 852.108,
6 Government Code, as that section existed before amendment by this
7 Act, is entitled to the resumption of monthly annuity payments if
8 the person meets the requirements of Section 852.1085, Government
9 Code, as added by this Act.

10 (b) The Texas Municipal Retirement System shall resume
11 making monthly annuity payments to a person described by Subsection
12 (a) of this section on the first payment date occurring on or after
13 the effective date of this Act.

14 (c) A person who is entitled to the resumption of monthly
15 annuity payments under this section is not entitled to recover
16 payment for annuity payments not made during the period the
17 person's annuity was suspended under Section 852.108, Government
18 Code, as that section existed before amendment by this Act.

19 SECTION 4. This Act takes effect immediately if it receives
20 a vote of two-thirds of all the members elected to each house, as
21 provided by Section 39, Article III, Texas Constitution. If this
22 Act does not receive the vote necessary for immediate effect, this
23 Act takes effect September 1, 2007.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 4, 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 the resumption of employment by certain retirees within the Texas Municipal Retirement System.), **Committee Report 2nd House, Substituted**

No fiscal implication to the State is anticipated.

The bill would add Section 852.1085 to Subchapter B, Chapter 852 of the Government Code, regarding the Texas Municipal Retirement System (TMRS). The new section would allow an employee who retired from a municipal department because the department became privatized and who later resumes employment with the same municipality to continue to receive the person's retirement annuity. 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

According to the TMRS, the number of persons to whom the provisions of the bill would apply would not be enough to have a significant fiscal impact on the system nor on the participating municipalities.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, KJG, DB

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

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 31, 2007

TO: Honorable Vicki Truitt, Chair, House Committee on Pensions & Investments

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

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

No fiscal implication to the State is anticipated.

The bill would add Section 852.1085 to Subchapter B, Chapter 852 of the Government Code, regarding the Texas Municipal Retirement System (TMRS). The new section would allow an employee who retired from a municipal department because the department became privatized and who later resumes employment with the same municipality to continue to receive the person's retirement annuity. 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

According to the TMRS, the number of persons to whom the provisions of the bill would apply would not be enough to have a significant fiscal impact on the system nor on the participating municipalities.

Source Agencies:

LBB Staff: JOB, KJG, DB

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**LEGISLATIVE BUDGET BOARD
Austin, Texas**

ACTUARIAL IMPACT STATEMENT

80TH LEGISLATIVE REGULAR SESSION

May 4, 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 the resumption of employment by certain retirees within the Texas Municipal Retirement System.), **Committee Report 2nd House, Substituted**

The Texas Municipal Retirement System (TMRS) is the statewide system which administers retirement, disability, and death benefits for employees of those Texas cities which voluntarily elect to participate in the system. The plan of each of the 811 participating cities is separately funded; funding is provided by employee contributions at a percentage of compensation selected by the city, and by employer contributions actuarially determined as necessary to provide the level of benefits selected.

ACTUARIAL EFFECTS:

The changes proposed by HB 3392 are not expected to have any material effect on the actuarial status of TMRS. Since an actuarial valuation is performed for each employer, the impact of this bill would need to be reviewed based upon each subdivision in TMRS, not just the system as a whole.

SYNOPSIS OF PROVISIONS:

HB 3392, to be effective immediately if receiving required votes or if not, September 1, 2007, would provide the following changes:

Allows an employee who retired 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.

FINDINGS AND CONCLUSIONS:

The provisions of the bill are not expected to have any material effect on the actuarial status of TMRS. The bill is limited to particular employees in a very specific situation. Short-term plan gains that may have accrued will no longer materialize. The changes in the bill are anticipated to have no material change in the current funding required by member cities since those gains are not anticipated in the actuarial valuations. Since an actuarial valuation is performed for each employer, the impact of this bill would need to be reviewed based upon each subdivision in TMRS, not just the system as a whole.

METHODOLOGY AND STANDARDS:

The analysis does not state any reliance on the participant data, financial information, benefit structure and actuarial assumptions and methods used in the December 31, 2005 actuarial valuation of TMRS, nor does it state that it assumes no further changes are made to TMRS. According to the PRB actuary, the actuarial assumptions, methods and procedures appear to be reasonable. All actuarial projections have a degree of uncertainty because they are based on the probability of occurrence of future contingent events. Accordingly, actual results will be different from the results contained in the analysis to the extent actual future experience varies from the experience implied by the assumptions.

SOURCES:

Actuarial Analysis by Mr. Leon F. Joyner, Actuary, Segal Company, March 30, 2007
Actuarial Review by Mr. Richard E. White, Actuary, and Mr. Robert Schmidt, Actuary, Milliman, April 1, 2007

GLOSSARY OF ACTUARIAL TERMS:

Normal Cost-- the current annual cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

Source Agencies: 338 Pension Review Board

LBB Staff: JOB, KJG, WM

LEGISLATIVE BUDGET BOARD

Austin, Texas

ACTUARIAL IMPACT STATEMENT

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**

The Texas Municipal Retirement System (TMRS) is the statewide system, which administers retirement, disability, and death benefits for employees of those Texas cities which voluntarily elect to participate in the system. The plan of each of the 811 participating cities is separately funded; funding is provided by employee contributions at a percentage of compensation selected by the city, and by employer contributions actuarially determined as necessary to provide the level of benefits selected.

ACTUARIAL EFFECTS:

The changes proposed by HB 3392, engrossed, are not expected to have any material effect on the actuarial status of TMRS. Since an actuarial valuation is performed for each employer, the impact of this bill would need to be reviewed based upon each subdivision in TMRS, not just the system as a whole.

SYNOPSIS OF PROVISIONS:

HB 3392, engrossed, to be effective immediately if receiving required votes or if not, September 1, 2007, would provide the following changes:

- Allows an employee who retired 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.
- Require TMRS to provide a 60-day window each year to allow member's to contribute an additional amount into their individual account. The member's participating municipality may, at their option, match the member's contribution.

FINDINGS AND CONCLUSIONS:

The provisions of the bill are not expected to have any material effect on the actuarial status of TMRS. The return to work provision is limited to particular employees in a very specific situation. Short-term plan gains that may have accrued will no longer materialize. Since an actuarial valuation is performed for each employer, the impact of this bill would need to be reviewed based upon each subdivision in TMRS, not just the system as a whole.

The requirement for a 60-day window each year to allow members to contribute an additional amount into their individual account and for the member's participating municipality to potentially match the member's contribution is expected to require additional TMRS staff to accommodate the change. According to TMRS, such contributions would presumably be after-tax and so this provision would expand the scope of TMRS to include a limited defined contribution plan.

METHODOLOGY AND STANDARDS:

The analysis does not state any reliance on the participant data, financial information, benefit structure and actuarial assumptions and methods used in the December 31, 2006 actuarial valuation of TMRS, nor does it state that it assumes no further changes are made to TMRS. According to the PRB actuary, the actuarial assumptions, methods and procedures appear to be reasonable. All actuarial projections have a degree of uncertainty because they are based on the probability of occurrence of future contingent events. Accordingly, actual results will be different from the results contained in the analysis to the extent actual future experience varies from the experience implied by the assumptions.

SOURCES:

Actuarial Analysis by Mr. Leon F. Joyner, Actuary, Segal Company, May 1, 2007

GLOSSARY OF ACTUARIAL TERMS:

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Source Agencies: 338 Pension Review Board

LBB Staff: JOB, WM

LEGISLATIVE BUDGET BOARD
Austin, Texas

ACTUARIAL IMPACT STATEMENT

80TH LEGISLATIVE REGULAR SESSION

April 2, 2007

TO: Honorable Vicki Truitt, Chair, House Committee on Pensions & Investments

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

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

The Texas Municipal Retirement System (TMRS) is the statewide system which administers retirement, disability, and death benefits for employees of those Texas cities which voluntarily elect to participate in the system. The plan of each of the 811 participating cities is separately funded; funding is provided by employee contributions at a percentage of compensation selected by the city, and by employer contributions actuarially determined as necessary to provide the level of benefits selected.

ACTUARIAL EFFECTS:

The changes proposed by HB 3392 are not expected to have any material effect on the actuarial status of TMRS. Since an actuarial valuation is performed for each employer, the impact of this bill would need to be reviewed based upon each subdivision in TMRS, not just the system as a whole.

SYNOPSIS OF PROVISIONS:

HB 3392, to be effective immediately if receiving required votes or if not, September 1, 2007, would provide the following changes:

- Allows an employee who retired 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.

FINDINGS AND CONCLUSIONS:

The provisions of the bill are not expected to have any material effect on the actuarial status of TMRS. The bill is limited to particular employees in a very specific situation. Short-term plan gains that may have accrued will no longer materialize. The changes in the bill are anticipated to have no material change in the current funding required by member cities since those gains are not anticipated in the actuarial valuations. Since an actuarial valuation is performed for each employer, the impact of this bill would need to be reviewed based upon each subdivision in TMRS, not just the system as a whole.

METHODOLOGY AND STANDARDS:

The analysis does not state any reliance on the participant data, financial information, benefit structure and actuarial assumptions and methods used in the December 31, 2005 actuarial valuation of TMRS, nor does it state that it assumes no further changes are made to TMRS. According to the PRB actuary, the actuarial assumptions, methods and procedures appear to be reasonable. All actuarial projections have a degree of uncertainty because they are based on the probability of occurrence of future contingent events. Accordingly, actual results will be different from the results contained in the analysis to the extent actual future experience varies from the experience implied by the assumptions.

SOURCES:

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GLOSSARY OF ACTUARIAL TERMS:

Normal Cost-- the current annual cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

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Source Agencies: 338 Pension Review Board

LBB Staff: JOB, WM

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