

BILL ANALYSIS

Senate Research Center

S.B. 812
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State Affairs
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 812 seeks to address the growing concern over municipal employees who wish to return to work within the same municipality after retirement. The bill addresses the need to balance the fairness of how pensions are paid out to retirees who return to work from the municipality they retired from against the health and longevity of the Texas Municipal Retirement System (TMRS) fund.

Under Texas law, a person cannot retire from a municipality participating in TMRS and be rehired by the same municipality without a suspension of their retirement benefits. This leads to unintended consequences of penalizing retirees who wish to return to work for the same municipality. First, these retirees have contributed considerable time and money into TMRS and their benefits have already vested. Second, when the individual leaves the municipality they take with them years, and sometimes decades, of institutional knowledge that will be lost.

Under the Government Code, a person may retire from one municipality and then be rehired by a different municipality without suspending any pension payments. However, a person cannot retire from a municipality and then later be rehired without total suspension of benefits. A person who is rehired by the municipality must open a second TMRS account. A person may be rehired by a separate municipality and still receive pension benefits from the former municipality without any suspension of benefits.

S.B. 812 would allow retired municipal employees to return to work within the same municipality without completely losing their already vested pension payments for the duration of their reemployment. This bill would allow return-to-work retirees to have their vested pension payments accumulate in an account during their re-employment. At the termination of re-employment, the retired employee would be entitled to a lump sum payment of the accumulated benefits.

S.B. 812 amends current law relating to the resumption of employment by certain retirees within the Texas Municipal Retirement System.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 852.108, Government Code, by amending Subsections (c), (e), and (f) and adding Subsection (j), as follows:

(c) Prohibits the Texas Municipal Retirement System (TMRS), after a suspension and except as provided by Subsection (j), from making payments of the service retirement annuity for any month during which the person remains an employee of the reemploying municipality.

(e) Entitles a person described by Subsection (b) (relating to a person who has retired with a service retirement benefit and later becomes an employee of the person's

reemploying municipality), after termination of employment with the reemploying municipality and after filing of an application for resumption of retirement with the board of trustees of the retirement system, to receive future payments of the suspended annuity, as provided by Subsection (f), and to the additional benefits as provided by Subsections (g) (relating to certain benefits paid if a person dies before certain payments are made), (h) (relating to relating to the method of payment of certain benefits), (i) (relating to an addition payment and its method of payment), and (j), rather than by Subsections (g), (h), and (i).

(f) Prohibits payment of the resumed benefit, except as provided by Subsection (j), from being made for any month during which the payment was suspended under this section.

(j) Requires a person to whom this section applies to receive a lump-sum payment in an amount equal to the sum of the service retirement annuity payments the person would have received had the person's annuity payments not been discontinued and suspended under this section if the person initially retired based on a bona fide termination of employment, and resumed employment with the person's reemploying municipality at least eight years after the effective date of the person's retirement.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: upon passage or September 1, 2011.