# LEGISLATIVE BUDGET BOARD
## Austin, Texas

## FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

**April 25, 2011**

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

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

**IN RE:** **SB812** by Zaffirini (Relating to the service retirement benefits of certain retirees who resume employment within the Texas Municipal Retirement System.), **Committee Report 1st House, Substituted**

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

The bill would amend the Government Code relating to the service retirement benefits of certain retirees who resume employment within the Texas Municipal Retirement System (TMRS). The bill would allow retirees from TMRS who choose to return to work at the city from which they retired after a separation of at least 12 months to receive a supplemental payment after they re-retire from the municipality. The supplemental payment would be equal to the value of the annuity payments including Cost of Living Adjustments (COLAs), as applicable, which were suspended during their period of re-employment with the municipality after the effective date of the Act. The bill would apply to retirees who returned to work prior to the effective date of the bill, but have not re-retired; and those who return to work after the effective date of the bill. The bill would take effect January 1, 2012.

Since TMRS does not receive state appropriated funds, no fiscal implication to the State is anticipated.

### Local Government Impact

According to TMRS, 98 retirees have returned to work with the municipality from which they retired after having been retired for one year. Approximately 34,000 people have been retired from TMRS for at least one year and have not returned to work at a municipality participating in TMRS. Although the number of current TMRS retirees who would return to work at the municipality they retired from cannot be determined, there would be some costs associated with reprogramming both internal computer systems and actuarial systems used by the outside actuary; however, the amounts are not anticipated to be significant.

The annual actuarial valuation assumes retirees will continue to be paid monthly benefits until death and any suspended benefit payments would produce an actuarial gain in the following year's valuation. Therefore, the lump sum payment of monthly benefit payments forfeited after the effective date of the bill would generate an actuarial loss equivalent to the cumulative value of the prior year's actuarial gains. Future actuarial gains generated under current law would be lost or reversed for each affected re-employing municipality.

For a point of comparison, there are over 100,000 active members in TMRS. The suspended annuities for the 98 members equal $90,998 per month. For those 98 members, beginning with the effective date of the bill, the value of the suspended annuities would continue to increase at a rate of $90,998 per month, or $1,091,976 annually, during the time they continue to be employed. The Pension Review Board actuary estimated the present value of future gains forgone in perpetuity would be approximately $16 million, or 0.1 percent of the accrued liability of the system (based on $1.1 million divided by the 7.0 percent assumed rate of return). The cost would be paid by increased contributions over time by municipalities participating in TMRS.

**Source Agencies:**

**LBB Staff:** JOB, KJG, TP, WM