

BILL ANALYSIS

C.S.H.B. 3902

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Pensions, Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

There are concerns that the Texas Municipal Retirement System's (TMRS) current eight-year break in service provisions are unfair and more restrictive than the other three statewide retirement systems and that these provisions impact retirees in geographically distanced cities more so than retirees in larger urban areas. When a retiree returns to work for the same city within eight years of retirement, their monthly retirement benefit is suspended and forfeited while they are reemployed. Retirees who resume employment with the same city after being retired for eight years or longer still have their monthly benefits suspended, but they are eligible for a lump-sum payment of the suspended benefits when they re-retire. However, if a retiree starts working for a different city, they will continue to receive their monthly retirement benefit while they are reemployed.

The other three statewide retirement systems have break-in-service provisions that last one year or less, and there have been calls to update the TMRS provisions to more closely align with the other systems. C.S.H.B. 3902 seeks to permit a retiree who returns to work for the same city with at least a one-year break in service to continue to receive their previously earned monthly retirement benefit.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the board of trustees of the Texas Municipal Retirement System in SECTION 1 of this bill.

ANALYSIS

C.S.H.B. 3902 amends the Government Code to revise provisions relating to the resumption of employment with the same employer by a retiree of the Texas Municipal Retirement System (TMRS) to do the following:

- clarify that a person's reemploying municipality is the municipality for which the person most recently performed creditable service before the person's retirement with respect to the person's particular individual account;
- make the requirement for TMRS to discontinue and suspend monthly annuity payments based on such a resumption of employment applicable only to a person who becomes an employee of the person's reemploying municipality at any time during the 12 consecutive months after the effective date of the person's last retirement from the reemploying municipality;
- establish that the retirement annuity of any other TMRS retiree who resumes employment with the same employer is not suspended; and

- revise the additional service retirement benefit allowable to a TMRS retiree who resumes employment with the same employer and clarify which additional benefit option is payable as a standard service retirement benefit or an equivalent optional benefit.

C.S.H.B. 3902 retains a provision that provides for a person who had at least an eight-year break in service before resuming employment with the person's reemploying municipality to receive a lump-sum payment of their suspended annuity payments, but the bill clarifies that this provision now applies only to a person who resumed employment before September 1, 2021.

C.S.H.B. 3902 provides for the resumption of monthly annuity payments for a person who resumed employment with the person's reemploying municipality before September 1, 2021, if the following conditions are satisfied:

- the person has not terminated employment with the reemploying municipality;
- the person's retirement that preceded the resumption of employment was based on a bona fide termination of employment; and
- the person did not become an employee of the person's reemploying municipality at any time during the 12 consecutive months after the effective date of the person's retirement.

The bill requires TMRS to pay such a person any lump-sum payment owed to the person at the time the annuity payments resume. The bill authorizes the board of trustees of TMRS to adopt rules to implement provisions relating to the resumption of service with the same employer by a TMRS retiree, as amended by the bill.

C.S.H.B. 3902 makes certain clarifying changes to provisions relating to the resumption of service with a different employer by a TMRS retiree.

EFFECTIVE DATE

September 1, 2021.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 3902 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

With respect to the additional service benefit retirement payment allowable to a TMRS retiree who resumes employment with the same employer, the substitute does not condition the prohibition against the first payment being made if the person has resumed employment with the reemploying municipality in a position that would make the person an employee on the person becoming an employee at any time during the 12 consecutive months after the effective date of the person's last retirement from the reemploying municipality, whereas the original did.

The substitute changes the time at which TMRS is required to make a lump-sum payment to a person whose monthly annuity payments are reinstated as provided by the bill from the time the person files a written application to resume benefits, as in the original, to the time the person resumes receiving an annuity payment.