

BILL ANALYSIS

Senate Research Center

S.B. 1105
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Finance
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

A retired Texas Municipal Retirement System (TMRS) member who is reemployed by the same city within eight years after retiring has their monthly benefit payment suspended until they rerehire, and all suspended benefit payments are forfeited.

TMRS participating cities in geographically distanced areas (e.g., the Rio Grande Valley, Coastal Plains, West Texas, and the Panhandle regions) can have difficulty recruiting qualified employees, and their retirees are oftentimes the perfect candidates for difficult-to-fill positions. However, a city's retired TMRS members are reluctant to apply for a position because their monthly benefit payments will be suspended and forfeited unless they have had at least an eight-year break in service. And even in that case, the retiree's monthly benefit payments are still suspended.

TMRS's eight-year break-in-service requirement is years longer than the statutory requirements of the other three statewide retirement systems, which are one year or less.

S.B. 1105 amends the Government Code to allow a retired TMRS member to be reemployed by the same city after a one-year break in service without having their benefit payments suspended.

As of October 30, 2020, approximately 200 retired TMRS members have been reemployed by the same city after a one-year break in service and would have their benefit payments reinstated.

There is no financial impact to cities or the state from S.B. 1105. A retiree's benefit is earned based on their account balance at the time they retire; returning to work and maintaining that benefit when they begin a new job is not "double dipping."

(Original Author's / Sponsor's Statement of Intent)

S.B. 1105 amends current law relating to the resumption of employment by certain retirees within the Texas Municipal Retirement System.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the board of trustees of the Texas Municipal Retirement System in SECTION 1 (Section 852.108, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 852.108, Government Code, by amending Subsections (a), (c), (e), (f), (h), (i), and (j) and adding Subsections (b-1), (k), (l), (m), and (n), as follows:

(a) Provides that, in Section 852.108 (Resumption of Service With Same Employer by Retiree) and Sections 852.1085 (Resumption of Service With Same Employer by Certain Retirees) and 852.109 (Resumption of Service With Different Employer by Retiree), 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 under Subtitle G (Texas Municipal Retirement System). Makes nonsubstantive changes.

(b-1) Provides that, unless subject to Subsection (c), the retirement annuity of a person subject to this section is not suspended.

(c) Requires the Texas Municipal Retirement System (TMRS), if a person 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, to discontinue and suspend the full amount of the monthly payments of the service retirement annuity that is allowed because of the person's previous retirement from the reemploying municipality beginning with the month TMRS determines that the person has again become an employee of the reemploying municipality. Makes nonsubstantive changes.

(e) Provides that a person described by Subsection (c), rather than 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 TMRS (board of trustees), is entitled to receive future payments of the suspended annuity, as provided by certain subsections.

(f) Requires that monthly payments of an annuity suspended under Subsection (c) resume effective beginning with the month following the month in which employment is terminated with the reemploying municipality, without change in the amount except for any increase allowed under Section 854.203 (Optional Increase in Retirement Annuities) or the duration of or another condition pertaining to the suspended benefit. Makes nonsubstantive changes.

(h) Provides that the additional service retirement benefit allowable to a person to whom this section applies is, at the option of that person, either:

(1) makes no changes to this subdivision; or

(2) a benefit consisting of a basic annuity actuarially determined from the sum of the member's contributions made and accumulated since the date the person last became a member, together with interest accumulated on that amount since the person last became a member and an amount from the benefit accumulation fund equal to the amount of the member's contributions credited to the member's individual account since the person last became a member together with interest accrued on that amount since the person last became a member or a greater amount authorized by the municipality under Section 855.501 (Increased Current Service Annuities).

(i) Provides that the additional benefit described by Subsection (h)(2), rather than Subsection (h), is payable as a standard service retirement benefit or, at the election of the member, any optional benefit authorized under Subtitle G that is the actuarial equivalent of the standard retirement benefit.

(j) Requires a person who resumed employment with the person's reemploying municipality before September 1, 2021, rather than a person to whom this section applies, subject to Subsection (m), 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 as it existed on the date the person resumed employment with the reemploying municipality, 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. Makes a nonsubstantive change.

(k) Requires TMRS, if the annuity payments of a person who resumed employment with the person's reemploying municipality before September 1, 2021, were discontinued and

suspended under this section as it existed on the date the person resumed employment with the reemploying municipality and the person has not terminated employment with the reemploying municipality, then on filing of a written application with TMRS, to, subject to Subsection (l), resume making the annuity payments to the person, provided:

(1) the person's retirement that preceded the resumption of employment was based on a bona fide termination of employment; and

(2) 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 described by Subdivision (1).

(l) Requires that monthly payments of an annuity resumed under Subsection (k) resume effective beginning with the month following the month in which the written application is approved by TMRS, without change in the amount except for any increase allowed under Section 854.203 or the duration of or another condition pertaining to the suspended benefit. 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 as it existed on the date the person resumed employment with the reemploying municipality.

(m) Requires TMRS, at the time a person resumes receiving payment of an annuity under Subsection (k), to pay the person any lump-sum payment owed to the person under Subsection (j).

(n) Authorizes the board of trustees to adopt rules to implement this section.

SECTION 2. Amends Sections 852.109(a), (e), and (f), Government Code, as follows:

(a) Provides that, if a person becomes an employee of a municipality after the effective date of the person's retirement from a participating municipality, and the municipality is not the person's reemploying municipality, the person again becomes a member of TMRS, and the person's retirement annuity is not suspended. Makes nonsubstantive changes.

(e) Provides that the additional benefit described by Subsection (d)(2) (relating to a certain basic annuity benefit), rather than by Subsection (d) (relating to the applicability of an additional service retirement benefit), is payable as a standard service retirement benefit or, at the election of the member, any optional benefit authorized under this subtitle that is the actuarial equivalent of the standard retirement benefit.

(f) Authorizes a person, if the person became an employee of a municipality other than the person's reemploying municipality after the effective date of the person's retirement from a participating municipality, and the person's service retirement annuity was suspended under Section 852.108 as it existed at the time of reemployment, to, on written application to TMRS, resume receiving the suspended annuity.

SECTION 3. Effective date: September 1, 2021.