

**SUBJECT:** Revising the Texas Municipal Retirement System (TMRS)

**COMMITTEE:** Pensions and Investments — favorable, with amendment

**VOTE:** 7 ayes — Telford, Woolley, Berlanga, Goolsby, Rangel, Sadler, Williams  
0 nays  
2 absent — Serna, Tillery

**WITNESSES:** For — Mark Clark, CLEAT; Bill Shanklin, Georgetown Fire Department; Herbert Williams, Conroe Fireman's Retirement Fund  
Against — None  
On — Gary Anderson, Kathleen Beuhner, Eric W. Davis, Leon Joyner, and Terrence Randall, TMRS; Rita Horwitz, Pension Review Board

**BACKGROUND :** The TMRS provides retirement, disability and death benefits to municipal employees in participating cities. Approximately 692 medium and small cities, plus the City of San Antonio, have joined TMRS.  
Each city separately funds its system with employee and employer contributions. The city actuarially determines the employer contribution amount that will ultimately provide the level of benefits selected for its employees, and employee contributions are between five and seven percent of salary.

**DIGEST:** HB 1113, as amended, would make a number of changes to the TMRS, including:

- allowing cities to give restricted prior service credit for time that city employees worked in full-time paid jobs as employees of any federal, state or local government in the United States or its territories; (Prior service credit is now allowed for work performed in city governments in the United States and certain public authorities in Texas.)

- allowing participating cities to require that contributions, benefits and service credit for qualified military service comply with the Uniformed Services Employment and Reemployment Rights Act;
- adding a new retirement option allowing TMRS retirees to receive a lump sum upon retirement amounting to no more than 50 percent of the member's total retirement contribution, plus interest, and reducing the member's retirement annuity accordingly;
- adding a death benefit that would allow the retiree's beneficiary to receive a two-thirds reduced annuity upon the member's death under service, disability and occupational disability plans;
- allowing members who retire after August 31, 1997, under a service, disability or occupational disability plan who choose a death benefit reduced annuity to receive a standard annuity if the beneficiary dies before the member does;
- allowing participating cities to pay actuarially determined contribution rates to fund all retirement obligations;
- allowing TMRS trustees to increase participating cities' amortization period up to 40 years (current regular amortization period is 25 years) if the TMRS trustees change actuarial methods or assumptions that cause the city contribution rate to increase by .005 percent based on its current amortization period; and
- repealing a provision enacted in 1995 that allowed the TMRS trustees to require that cities with less than 10 employees show proof that the employees were in good health before joining the supplemental death benefits fund.

The bill would take effect September 1, 1997.

SUPPORTERS  
SAY:

HB 1113 would expand the type of retirement options available to TMRS members to give retirees more choice in retirement plans.

The bill would give participating cities the opportunity to lengthen their amortization period instead of increasing retirement contributions if TMRS changes actuarial methods or assumptions and requires cities to raise contribution rates by one-half of one percent. The amortization period could be up to 40 years, the maximum acceptable under the Government Accounting Standards Board. This provision would give cities the option to lengthen their amortization period instead finding money in their budget to pay for changes made by the TMRS board that are beyond their control.

The bill would ensure that TMRS maintains compliance with the Internal Revenue Code to retain its tax exempt (qualified) status and that it adheres to the federal law enacted in 1994 regarding service by reemployed veterans of the Persian Gulf War.

The bill would make city jobs more attractive to persons who were previously employed by federal, state and local governments. Allowing municipal employees to apply past service in federal, state and local government jobs towards vesting and benefits eligibility requirements would cost little and be an effective incentive for potential municipal employees. This provision would make it easier for an employee to become eligible for retirement benefits, but the amount of retirement benefits paid from TMRS would be based only on the contributions to TMRS and the employee's salary under TMRS.

The committee amendment would maintain current law, which does not permit career military service (i.e., retired military with 20 years service) to be applied towards military credit in TMRS. The existing military service credit is based on non-career military service. Although extending military service credit eligibility to retired career military personnel would not have a financial impact on the TMRS because it is a defined contribution plan (retirement benefits are based on amount contributed, not time in service), it could set a precedent that would be harmful to defined benefit plans (retirement benefits are based on time and salary level and not actual contributions), such as the Employees Retirement System and the Teacher Retirement System.

**OPPONENTS SAY:** Career military retirees should be allowed to use the time in the military towards retirement eligibility because it would not affect the calculation of retirement annuity in TMRS and would not affect actuarial liability of cities.

**NOTES:** The committee amendment would delete a section of the original version of the bill that would have allowed retired military personnel to receive military service credit for time in the military.

The companion bill, SB 516 by Armbrister, has been referred to the Intergovernmental Relations Committee.