

- SUBJECT:** Texas Municipal Retirement System revisions
- COMMITTEE:** Pensions and Investments — favorable, without amendment
- VOTE:** 8 ayes — Telford, Johnson, Averitt, Berlanga, Haggerty, McCall, Rangel, Wilson  
0 nays  
1 absent — Willis
- WITNESSES:** For — Gary W. Anderson, Texas Municipal Retirement System; Steve McCullough, Board of Trustees - Texas Municipal Retirement System  
Against — None
- BACKGROUND:** The Texas Municipal Retirement System (TMRS) provides retirement, disability and death benefits to municipal employees in participating cities. Approximately 656 medium and small cities, and the City of San Antonio, have joined TMRS.  
  
Each city separately funds its system with employee contributions and employer contributions. The city actuarially determines the employer contribution amount to ultimately provide the level of benefits selected for its employees, and employees contribute 5-7 percent of their salaries.
- DIGEST:** HB 2168 would make a number of changes to the TMRS, including:
- amending the law to comply with Internal Revenue Code secs. 401(a)(17) to lower from \$250,000 to \$150,000 the maximum salary level that can be used for employee contribution calculations;
  - clarifying provisions requiring that a non-contributing participant must start drawing benefits upon reaching age 70-1/2;
  - allowing the board of trustees of a system to exclude municipal employees who are not in good health from supplemental death benefit coverage in a municipality with fewer than 10 employees, ;

- allowing a former city employee to keep drawing a pension while employed as a regular employee (at least 1,000 hours of service a year) by a different city;
- disallowing a former city employee from drawing a city pension if the city reemploys that person as a regular employee;
- allowing Dallas-Fort Worth airport service and state service to apply toward TMRS eligibility and vesting;
- automatically reinstating a defunct ordinance allowing updated service credits if the city actuary determines that the obligations charged against the municipal account can be funded within the maximum contribution rate if the ordinance is reinstated;
- allowing the retiree to change the choice of annuity payment plan or the designation of beneficiary any time before the retirement system makes the first payment;
- allowing an annuitant to authorize a complete cessation of payment and a reinitiation of the payment;
- granting supplemental death benefits for deceased participants who would have qualified for extended coverage but failed to apply when they stopped contributing to the plan;
- permitting a participant to designate a trust as a beneficiary;
- allowing the heirs of an estate valued at \$50,000 or less to make death benefit elections;
- conforming the provisions on annual benefits to sec. 415 of the Internal Revenue Code;
- providing that if the beneficiary and the member die within 120 hours of each other, the member is considered to have survived the beneficiary for distribution purposes;

- forbidding payment of benefits to a person convicted of causing the death of the member;
- permitting the system to hold investment securities in the name of a nominee or depository trust company;
- allowing a city to elect to raise the maximum employer contribution rate by a limited percentage.

The bill would take effect September 1, 1995.

**SUPPORTERS  
SAY:**

HB 2168 would increase benefits and eligibility, provide flexibility in administration and for participants and assure that the system maintains compliance with the Internal Revenue Code to retain its tax exempt (qualified) status.

City employees are not permitted to receive retirement payments if they work more than 700 hours a year for any participating city. This is unfortunate since it discourages employment of retired city employees who retire and move to cities where their skills and experience as police chiefs, city managers and the like would be useful. The bill would allow a person in this situation to receive retirement payments as well as work for the new city.

Allowing municipal employees to apply past service in other state jobs and jobs with the Dallas-Fort Worth Airport towards the 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 the TMRS would be based only on the contributions to TMRS and the employee's salary under TMRS.

Updated service credits would allow an employee to receive a matching employer contribution upon retirement based on an average of the last three years of salary rather than on the average of an employee's salary over the entire period of city employment. A city currently must go through the formal process of passing an ordinance to allow updated service credits for city employees even though the city adopted the updated service credits

previously. The reason is that every time the city exceeds the percent payroll cap, the updated service credits are disallowed and the ordinance in effect disappears. The bill would automatically allow the ordinance to be reinstated if the city drops below the cap again and can stay below the cap with its reinstatement. This would save the cities the time and money of duplicating ordinances.

HB 2168 would also conform a number of provisions to the Internal Revenue Code, including sec. 401(a)(17) that allows calculations for employee contribution purposes only on \$150,000 or less of an employee's salary. This would not reduce many employees' benefits since few city employees earn more than \$150,000 a year.

HB 2168 would also increase the flexibility of the system in a number of ways. It would allow retirees to reduce their benefits to zero to qualify for Medicaid benefits for nursing home care and allow the system to buy investments that would be recorded electronically or through book entry instead of receiving a piece of paper evidencing the purchase.

**OPPONENTS  
SAY:**

No apparent opposition

**NOTES:**

The companion bill, SB 1072 by Turner, has been referred to the Senate Intergovernmental Relations Committee.