

SUBJECT: Certain city employees participation in the proportionate retirement system

COMMITTEE: Pensions and Investments — committee substitute recommended

VOTE: 5 ayes — Telford, Woolley, Serna, Tillery, Williams

0 nays

4 absent — Berlanga, Goolsby, Rangel, Sadler

SENATE VOTE: On final passage, April 16 — 31-0

WITNESSES: None

BACKGROUND : The Proportionate Retirement Program (PRP) was established in 1977 to permit members of the statewide retirement systems Employees Retirement System (ERS), Teacher Retirement System (TRS), Judicial Retirement Systems I and II (JRS I & II), Texas County and District Retirement System (TCDRS) and the Texas Municipal Retirement System (TMRS) to combine their years of service in two or more of the retirement systems for vesting purposes only. For example, members of ERS and TRS are permitted to vest in five years; therefore, a person who had worked under ERS for three years and under TRS for two years would be considered to have vested in either system, and under the PRP would be entitled to receive retirement benefits from ERS based on three years service and from TRS based on two years service. In 1991, the Legislature authorized the City of Austin to participate in the PRP.

Currently, a retiree from the ERS who has a total of 10 years of service credit under the proportionate retirement program is eligible to participate in the Uniform Group Insurance Program (UGIP) and receive a state contribution for health insurance when they retire. The average state contribution for each retired member of ERS is about \$2,740 per year.

DIGEST: SB 1209 would authorize all cities to participate in the proportionate retirement program. The governing body of the city would have to adopt a resolution to participate in the program and would be required to notify all other participating systems. The effective date of participation would be the first day of the third month after the city notified the other system of its desire to participate.

The bill would take effect September 1, 1997.

SUPPORTERS SAY: CSSB 1209 would allow all Texas cities to participate in the proportionate retirement program, not just the City of Austin and cities participating in the TMRS. More than 250 cities do not participate in the TMRS, including the cities of Dallas, Houston and Lubbock. All public city employees should have the same opportunity to participate in the program.

This bill would also allow state employees working for the Texas Workforce Commission, the Texas Department of Health and the Texas Department of Mental Health and Mental Retardation who may lose their state jobs because of privatization or workforce reductions to be able to combine their retirement in the PRP if they go to work for any city in the state.

OPPONENTS SAY: CSSB 1209 would allow a new group of public employees the opportunity to receive state paid health insurance under UGIP if they retire with ERS which would be a cost to the state.

Also, retirement system incur actuarial losses when members retire under PRP because the program allows employees to retire when they have not vested in the system. The actuarial impact of on a participating retirement system would not be known. However, a city could ensure actuarial losses large enough to require an increase in contributions by the city or city employees.

NOTES: The Senate-passed version of the bill would have applied to cities with a population of 55,000 or more.