

SUBJECT: Allowing reestablishment of retirement service credit

COMMITTEE: Pensions and Investments — favorable, without amendment

VOTE: 6 ayes — Greenberg, Tillery, Bonnen, Clark, Rangel, Salinas

0 nays

3 absent — George, Telford, Williams

SENATE VOTE: On final passage, April 30 — 29-0

WITNESSES: None

BACKGROUND: Currently, statewide retirement systems that offer proportionate retirement programs have different rules and regulations about who is eligible to reestablish service credit. A proportionate retirement program is based on the proportion of contributions made to the system by members.

Public retirement systems under the Government Code include:

- ! a retirement systems for general municipal employees in a municipality with a population between 460,000 and 500,000;
- ! the Employees Retirement System;
- ! the Teacher Retirement System;
- ! the Judicial Retirement System of Texas Plan One;
- ! the Judicial Retirement System of Texas Plan Two;
- ! the Texas County and District Retirement System;
- ! the Texas Municipal Retirement System; and
- ! certain other retirement systems that enter into the public retirement system.

DIGEST: SB 256 would amend the Government Code by adding provisions for the reestablishment of retirement service credit.

The bill would allow an eligible member of a retirement system to reestablish service credit, including prior service credit if applicable, previously canceled in another public retirement system. The bill would define an eligible member

as a person who ended service and withdrew contributions made to one public retirement system and began service in a position covered by another public retirement system.

The eligible member could apply to reestablish service credit by filing an application with the public retirement system in which the service originally was credited. The system would have to award service credit when it received from the applicant a contribution in the amount generally needed to establish service credit, including interest and membership fees, and a certification that the member held a position included in the membership of the certifying system.

If reestablished service credit was sought in the Texas County and District Retirement System (TCDRS) or the Texas Municipal Retirement System (TMRS), the service credit would be creditable pro rata to the account of each subdivision or municipality for which service was performed, provided that these entities participated in the proportionate retirement program.

The bill would not include reestablishment of service credit in political subdivisions and municipalities participating in the proportionate retirement system for the TCDRS or TMRS unless those entities opted to participate in the service reestablishment plan.

Service credit would not be permitted for transfer service credit for a member of both the Employees Retirement System and Teacher Retirement System.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house.

**SUPPORTERS  
SAY:**

Some members of public retirement systems mistakenly have terminated membership in a retirement system because of the lack of uniformity in the rules and regulations of these systems. These employees withdraw the funds they have invested into the system and then use it for other purposes. SB 256 would address this problem by authorizing an eligible member of a retirement system participating in a proportionate retirement program to reestablish service credit previously canceled in another retirement system that took part in such a program. This flexibility would provide greater security upon retirement for public employees and would facilitate job transfers and job relocation.

For smaller counties and municipalities that may have concerns about the actuarial soundness of their retirement systems, the bill would make the reestablishment provision permissible.

The bill would not have a major impact on the actuarial soundness of any retirement system.

**OPPONENTS  
SAY:**

SB 256 might increase actuarial losses as members reestablished previously canceled service credit. The payments members make to reestablish previously canceled service credit are not linked to the incremental value of the benefits attributable to the service credit established. The actuarial losses would arise because the value of the benefit attributable to the service credit that was reestablished would exceed the contributions paid by members to reestablish such credit.