

- SUBJECT:** Texas County and District Retirement System revisions
- COMMITTEE:** Pensions and Investments — favorable, without amendment
- VOTE:** 4 ayes — Flynn, Griggs, McClendon, Straus  
0 nays  
3 absent — Eiland, Krusee, Rodriguez
- WITNESSES:** For — Larry Durant, David Kester, Shain Carrizal, Human Resources and Risk Management, Harris County.  
Against — None  
On — Tom Harrison, Tom Krueger, Texas County and District Retirement System.
- BACKGROUND:** The Texas County and District Retirement System (TCDRS) is a public employee retirement system created by the Legislature in 1967 to provide pension, disability, and death benefits for the eligible employees of participating counties, hospital districts, water districts, municipal utility districts, and other special districts created by the Legislature. Each participating entity has its own account balance and makes its own decisions about eligibility for benefits. TCDRS administers these plans and invests their pooled assets.  
  
To participate in TCDRS, districts must have taxing authority or have a service area that covers all of one county or all or part of more than one county. Public entities other than counties must have the approval of the TCDRS board in order to participate in the system.
- DIGEST:** HB 633 would make various revisions to the statutes governing TCDRS.  
  
The bill would outline procedures for the voluntary and involuntary termination of participation in TCDRS. With board approval, a subdivision other than a county could voluntarily terminate its participation in the system if it agreed to fund all benefits accrued before the last day of the termination agreement and any supplemental annuities.

Following that date, no additional deposits could be made to the member's account, and the subdivision would be released from all liability for its accrued benefits and supplemental annuities. Each member who had not received a refund of contributions would be fully vested and immediately would be eligible to retire with a service retirement annuity or take a lump-sum distribution, regardless of age, service, or employment.

A subdivision could be involuntarily terminated from participation in TCDRS if:

- it did not comply with the terms of a voluntary termination;
- it was in the process of dissolving or changing its operational form;
- benefits were at risk of forfeiture;
- the system no longer served as an effective program for providing employee benefits because of the action or inaction of the subdivision or because of a significant change in covered payroll, number of contributing members, workforce composition, general revenue, or other circumstances; or
- the continued participation of the subdivision was not in the best interest of TCDRS, the subdivision, its employees, or other participating subdivisions.

TCDRS would have to make proportional payouts to beneficiaries following procedures outlined in the bill.

The bill would allow the governing body of a subdivision, with board approval, to assume the pension liabilities of a subdivision that no longer existed, was in the process of dissolution, was changing its operational form, or no longer had employees, provided the subdivision had not entered into a voluntary termination agreement or been involuntarily terminated by TCDRS.

TCDRS would not be liable to any person for any claim or loss of benefits resulting from the voluntary or involuntary termination in the system or the assumption of pension liabilities by another subdivision. The board by rule could establish standards, definitions, and procedures needed to administer the assumption of pension liabilities and would have to take reasonable actions and exercise its discretion in a fair and equitable manner on a case-by-case basis to preserve accrued benefits.

HB 633 also would:

- allow any political subdivision to participate in TCDRS provided it was not eligible to participate in another retirement system established by the Legislature;
- eliminate from the definition of “employee” a requirement that the person hold a position requiring at least 900 hours of service per year;
- allow for the optional membership in TCDRS of judges and district attorneys if they received supplemental compensation from a subdivision at the same time they were participating in another retirement plan. This provision would take effect December 31, 2005, and participants could not receive retirement credit for contributions or service before that date;
- allow qualified members to “retire in place” by continuing to receive an annuity if they returned to work for any participating subdivision. Qualified employees would contribute to a new retirement account;
- allow the TDCRS board to establish a maximum amount of cost of living increases and allow cost of living increases of up to 100 percent of the change in the Consumer Price Index (CPI), rather than 80 percent;
- allow employers to match employee contributions in any increment of 5 percent, rather than the 25 percent increments under current law, up to 150 percent;
- provide active military duty credit for up to five years; and
- align statutory accounting requirements with current law.

The bill would take effect January 1, 2006, except that changes to Government Code, sec. 844.704(a), which governs the determination of multiple matching credits, would take effect December 31, 2006.

**SUPPORTERS  
SAY:**

HB 633 would give the 567 entities that participate in TCDRS more flexibility in administering their retirement plans and would allow them to design their plans around their local needs. The bill includes upgrades and adjustments to the statutes governing these plans but would impose no additional mandates. The retire-in-place provisions would help counties save money on health insurance and other costs because they would not have to provide health insurance coverage for retirees who return to work. According to the bill’s actuarial impact statement, the changes proposed by HB 633 are not expected to have any material or immediate effect on

the actuarial status of TCDRS or its participating entities.

The bill would allow the TCDRS board to set limits on annual cost-of-living adjustments (COLAs) to help prevent participating entities from developing financial problems as a result of providing COLAs that are actuarially unsound.

**OPPONENTS  
SAY:**

Although HB 633 is not expected to have an immediate effect on the actuarial status of participating entities, it would allow a plan to make COLAs for retirees of 100 percent of the CPI, rather than the current limitation on increases of 80 percent of the CPI. According to the Legislative Budget Board, any plan sponsors that systematically provided annual COLAs significantly would increase their risk of being underfunded, as benefits would increase by an indeterminate amount each year after a person retired and after no more contributions were anticipated.