

- SUBJECT:** Annuity checks for certain rehired municipal retirees
- COMMITTEE:** Pensions and Investments — favorable, without amendment
- VOTE:** 5 ayes — Truitt, Villarreal, McClendon, Burnam, Rodriguez
0 nays
2 absent — Keffer, Macias
- WITNESSES:** For — Eric W. Davis, Texas Municipal Retirement System
Against — None
- BACKGROUND:** Government Code, Title 8, Subtitle G, governs the Texas Municipal Retirement System (TMRS), which administers pension benefits for more than 800 cities and 133,000 members, retirees and beneficiaries. Each participating municipality has its own retirement plan, but is subject to the same statutory framework.
- Government Code, sec. 852.108 requires TMRS to suspend pension payments for a retiree who returns to work for the same employer after that person has retired with a service retirement benefit. While employed, the member must make retirement contributions on all compensation paid to the employee, and the member receives additional service credits. Pension payments may be reinstated after the member leaves employment with that municipality.
- Pension checks are not suspended if a TMRS retiree returns to work for a different municipality.
- DIGEST:** HB 3392 would specify that a TMRS member who returned to work for the same municipality would not have to have annuity payments suspended if the municipality for which the member worked was privatized and the person later resumed employment in the same department or a successor department in the re-employing municipality.
- A TMRS member who became eligible for annuity payments under the provisions of HB 3392 would not be eligible for annuity payments not

made before the effective date of the bill and while the annuity was suspended.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2007.

**SUPPORTERS
SAY:**

HB 3392 would address an unusual problem that arose in Laredo when the city privatized its water department, then reversed its decision two years later. Because TMRS requires annuity checks to be suspended when a retiree returns to work for the same municipality, about 30 water department workers who retired when the water utility was privatized were faced with forfeiting their pension checks in order to continue working for the water department. Most of these employees wanted to continue working, and the city valued their years of experience in these jobs. These workers should not be penalized for a situation over which they had no control.

The bill would apply to a particular situation that would be unlikely to occur in other cities. However, if such a situation were to arise elsewhere, municipal workers would deserve the same consideration regarding the retention of their annuity checks if a municipality reversed its privatization decision after the city workers had retired in good faith.

**OPPONENTS
SAY:**

HB 3392 would open the door to offering all TMRS members the retire/rehire option. In recent years, the Teacher Retirement System has struggled with the cost of providing health care and other benefits to employees who retire and are then rehired by the same employer. Cities should not be given the option of adopting this expensive practice.

**OTHER
OPPONENTS
SAY:**

If these city workers were allowed to continue receiving pension checks after returning to work for the same employer, other city workers who retire under different circumstances should be entitled to the same benefit. TMRS is the only statewide public pension system that prohibits retirees from receiving annuity checks if they return to work for the same employer. The retire/rehire option does not present significant additional costs for employers and should be available to all eligible TMRS members.