

- SUBJECT:** Defining work hours to participate in the municipal retirement system
- COMMITTEE:** Pensions — committee substitute recommended
- VOTE:** 5 ayes — Callegari, Alonzo, Branch, Frullo, Stephenson  
0 nays  
2 absent — Gutierrez, P. King
- WITNESSES:** For — Tom Hart, City of Grand Prairie; Robert Scott, City of Carrollton;  
(*Registered, but did not testify:* Jonathon Bazan, City of Irving; Tony Privett, City of Lubbock; Tom Tagliabue, City of Corpus Christi; Monty Wynn, Texas Municipal League)  
  
Against — David Crow, Arlington Professional Fire Fighters Association; Chris Jones, Combined Law Enforcement Association of Texas; Randle Meadows, Arlington Police Association; Shannon Perez, SEIU Texas;  
(*Registered, but did not testify:* Lon Craft and Kevin Lawrence, Texas Municipal Police Association; Mike Higgins, Texas State Association of Fire Fighters; Scott Kerr, Plano Firefighters; Rene Lara, Texas AFL-CIO; Derrick Osobase, Texas State Employees Union)  
  
On — David Gavia, Texas Municipal Retirement System
- BACKGROUND:** Current law requires municipal employees who work more than 1,000 hours in a year to be enrolled in the Texas Municipal Retirement System (TMRS).  
  
TMRS administers retirement, disability, and death benefits for employees of Texas cities that voluntarily elect to participate in the system. Each of the 849 participating cities chooses a plan of benefits from various options. Each city’s plan is funded separately through a combination of employee and employer contributions and investment earnings.
- DIGEST:** CSHB 626 would permit cities to adopt an alternative definition of “employee” that did not apply to police or firefighters.  
  
It would allow cities to make employees working not more than 1,500

hours ineligible to participate in TMRS. The requirement would apply to employees hired after the effective date of the new city ordinance.

The bill would establish the earliest permissible effective date of such an ordinance. A city would be required to submit a copy of the ordinance to TMRS.

The bill would authorize the TMRS board of trustees to adopt rules limiting the frequency with which cities could change alternative definitions of employee.

The bill would take effect September 1, 2013.

**SUPPORTERS  
SAY:**

Some part-time municipal employees who want to work more than 20 hours a week are prevented from doing so because taxpayers in a city cannot afford the employees' enrollment in the TMRS pension system.

The bill would allow cities to better manage their needs for seasonal workers, such as summer lifeguards and landscapers. Some of these part-time workers may be teenagers or retirees who do not desire to be enrolled in the retirement system but would like to be allowed to work more hours.

CSHB 626 simply would allow cities the option of adopting a new ordinance to allow those employees to work more hours without qualifying for the pension benefits. Twenty-two mid-size cities support the bill because of the flexibility it would give them to manage their seasonal workforce. Officials with those cities say the bill would allow them to offer more work and more jobs to citizens while controlling costs.

The Legislative Budget Board (LBB) reports that an actuarial review of the bill states that TMRS is actuarially sound according to the Pension Review Board guidelines and most likely would remain sound if CSHB 626 were enacted.

Police and fire personnel would continue to be considered full-time and qualify for pension benefits if they worked more than 1,000 hours a year. The bill would apply only to employees hired after a city adopted an ordinance.

The definition of employee is similar to one used in the Affordable Care Act, which sets a minimum of 1,560 hours for employees to qualify for

health care benefits.

**OPPONENTS  
SAY:**

CSHB 626 would provide incentives for cities to hire more part-time employees to avoid increasing their pension costs. This would be unfair to those workers who could be required to put in longer hours but not be rewarded with participation in the retirement system. Cities should not follow the “Walmart plan” of limiting workers’ hours to just below the level needed to qualify for benefits.

The bill could have an adverse effect of requiring higher city contributions to TMRS, according to the LBB’s actuarial impact statement. If fewer city employees pay into the fund, a city could be required to increase its contributions to meet amortization guidelines.