

- SUBJECT:** Buying back service credit in a public retirement system
- COMMITTEE:** Pensions and Investments — committee substitute recommended
- VOTE:** 5 ayes — Tillery, Crownover, Salinas, George, Rangel
0 nays
4 absent — Woolley, Goodman, Telford, Williams
- WITNESSES:** For — Herb Schaefer; Jim Williams; *Registered but did not testify:* Ted Melina Raab, Texas State Employees Union
Against — None
On — Joseph Froh, Texas County and District Retirement Systems
- BACKGROUND:** There are separate retirement systems for state, county, and municipal employees and for teachers in which employees earn service credit. When employees leave the service of any of these public employers, they have the option of cashing out their accounts and taking the portion of the money that they contributed out of the system. If they do, their service credit is canceled. If they do not remove their contributions, their service credit remains in the system. Government Code, chapter 806 sets requirements for public employees to cumulate their credits in the different systems.
- DIGEST:** CSHB 1428 would allow a public employee who was a member of a participating retirement system to reestablish credit for service that the employee earned in another participating retirement system, but which the employee previously had canceled. The employee could do this only if the employee was not currently a member of the system under which the service was earned. Also, if the employee was a member of the Texas County and District Retirement system and had an open account with a subdivision of that system, the employee could not reestablish credit from that subdivision.

Service credit could not be reestablished if it was subject to the limitations on reinstating credit in the Teacher Retirement System under Government

Code, sec. 805.002(e). Nor could it be reestablished if the only retirement system that an employee participated in was a retirement system that the employee's original system excluded from participating in the proportionate retirement program under Government Code., sec. 803.103.

To reestablish credit for service, an employee would have to file an application with the retirement system in which the service credit originally was earned, a certification that the employee was a member of the certifying system, and either:

- ! to reestablish service credit other than in the Texas County and District Retirement System or the Texas Municipal Retirement System, the money the employee took out of the system upon leaving, plus interest the money would have earned in the interim and membership fees;
- ! to reestablish service credit in the Texas County and District Retirement System or the Texas Municipal Retirement System, a statement from the employee that he or she did not wish to make a contribution for the service credit; or
- ! to reestablish current service credit for the Texas County and District Retirement System, the present value (determined by the system's actuary and board) of additional service benefits that would be attributable to the credit being reinstated.

A subdivision of the County and District or the Municipal system could make a one-time election whether to allow service credits to be reestablished under the bill's provisions if the applicant made the contribution to the system that was necessary to reestablish credit for service in that system generally. If the system made this election, the applicant for reestablishing service could choose between the second or third option above.

If the employee seeking to reestablish credit in the County and District or the Municipal system elected option 2 above, the credit could be used only to achieve eligibility for benefits. If one of the other options was chosen, the credit could be used for all purposes.

If a municipal system had chosen to participate in the program under Government Code, chapter 803, for public employees who are members in more than one retirement system to receive proportionate benefits from each

of those systems and to be permitted to cumulate their service credits in each system, an employee who wished to reestablish credit for service in such a system would have to pay the present value of the additional retirement benefits that would accompany the reestablished credit.

The bill would take effect January 1, 2002.

NOTES:

The companion bill, SB 372 by Barrientos, passed the Senate on April 25 by a voice vote and was referred to the House Pensions and Investments Committee, which has scheduled a public hearing on May 7.

The committee substitute modified provisions of the original bill relating to eligibility to reestablish service credit in a retirement system and added provisions regarding payment for reestablished service credit.