

BILL ANALYSIS

Senate Research Center
82R23307 SGA-D

C.S.S.B. 812
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State Affairs
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

C.S.S.B. 812 seeks to address the growing concern over municipal employees who wish to return to work within the same municipality after retirement. The bill addresses the need to balance the fairness of how pensions are paid out to retirees who return to work from the municipality they retired from against the health and longevity of the Texas Municipal Retirement System (TMRS) fund.

Under Texas law, a person cannot retire from a municipality participating in TMRS and be rehired by the same municipality without a suspension of their retirement benefits. This leads to unintended consequences of penalizing retirees who wish to return to work for the same municipality. First, these retirees have contributed considerable time and money into TMRS and their benefits have already vested. Second, when the individual leaves the municipality they take with them years, and sometimes decades, of institutional knowledge that will be lost.

Under the Government Code, a person may retire from one municipality and then be rehired by a different municipality without suspending any pension payments. However, a person cannot retire from a municipality and then later be rehired without total suspension of benefits. A person who is rehired by the municipality must open a second TMRS account. A person may be rehired by a separate municipality and still receive pension benefits from the former municipality without any suspension of benefits.

C.S.S.B. 812 would allow retired municipal employees to return to work within the same municipality without completely losing their already vested pension payments for the duration of their reemployment. This bill would allow return-to-work retirees to have their vested pension payments accumulate in an account during their re-employment. At the termination of re-employment, the retired employee would be entitled to a lump sum payment of the accumulated benefits.

C.S.S.B. 812 amends current law relating to the service retirement benefits of certain retirees who resume employment within the Texas Municipal Retirement System.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 852.108, Government Code, by amending Subsections (e) and (f) and adding Subsection (j), as follows:

- (e) Entitles a person described by Subsection (b), after termination of employment with the reemploying municipality and after filing of an application for resumption of retirement with the board of trustees of the retirement system, to receive future payments of the suspended annuity, as provided by Subsection (f), and to the additional benefits as provided by Subsections (g), (h), (i) and (j), rather than by Subsections (g), (h), and (i).

(f) Prohibits payment of the resumed benefit from being made for any month during which the payment was suspended under this section, except as provided by Subsection (j).

(j) Provides that this subsection applies only to a person described by Subsection (b) (relating to limitations on payments and credits owed to certain employees) who became an employee of the reemploying municipality after a bona fide termination of employment of at least 12 months and has filed an application for resumption of retirement with the board of trustees. Entitles a person who resumes retirement under this subsection to receive a lump-sum payment of an amount equal to the sum of the suspended annuity payments that the person would have received from the retirement system had payments not been suspended under this section. Provides that the lump-sum payment is payable from the municipality accumulation fund and the current service annuity reserve fund as appropriate.

SECTION 2. (a) Provides that the changes in law made by this Act to Section 852.108, Government Code, apply only to the following:

(1) a person who resumes employment on or after the effective date of this Act with the same municipality the person was employed by before retiring from service; and

(2) to the extent provided by Subsection (b) of this section, a person who resumed employment before the effective date of this Act with the same municipality the person was employed by before retiring from service and who is in that employment on the effective date of this Act.

(b) Entitles a person described by Section 852.108(j), Government Code, as added by this Act, and Subsection (a)(2) of this section to payment of an amount equal to the sum of suspended annuity payments attributable to the period of the person's reemployment occurring on or after the effective date of this Act.

(c) Provides that the changes in law made by this Act to Section 852.108, Government Code, do not apply to a person to whom Section 852.1085, Government Code, applies.

SECTION 3. Effective date: January 1, 2012.