

**SUBJECT:** Changes to Texas Municipal Retirement System benefits

**COMMITTEE:** Pensions and Investments — favorable, without amendment

**VOTE:** 7 ayes — Tillery, Woolley, Crownover, Salinas, George, Goodman, Rangel  
0 nays  
2 absent — Telford, Williams

**SENATE VOTE:** On final passage, March 15 — voice vote

**WITNESSES:** For — *Registered but did not testify:* Shanna Igo, Texas Municipal League;  
Chris Jones, Combined Law Enforcement Associations of Texas  
  
Against — None  
  
On — *Registered but did not testify:* Gary Anderson, Texas Municipal Retirement System

**BACKGROUND:** The Texas Municipal Retirement System (TMRS) administers retirement, disability, and death benefits for employees of cities that elect to participate. The system is governed by a board of trustees. The plan of each of the 731 participating cities is funded separately by employee contributions at a percentage of compensation selected by the city and by employer contributions actuarially determined as necessary to provide the benefits selected. No state funds are expended.  
  
In 1999, the 76th Legislature enacted SB 574 by Armbrister, enhancing several retirement benefits, expanding the definition of beneficiaries, and making several other system changes.

**DIGEST:** SB 522 would allow cities to choose whether their employees could retire at age 60 with five years of service. Other provisions would allow a person to be a member of TMRS as well as of another state or local retirement system created under the Texas Constitution, Art. 16, sec. 67. However, service

credited toward the other retirement program could not be counted toward retirement eligibility under TMRS.

SB 522 would increase the maximum lump sum to cash out smaller accounts from \$5,000 to \$10,000.

SB 522 would allow a “pop-up” or increased benefits feature for certain retirees who retired before September 1, 1997, under a Joint Survivor option. If the retiree and beneficiary were both living, the retiree could select the “pop-up” feature during calendar 2002. (Under current law, this feature applies only to members who retire after September 1, 1997, and select a Joint Survivor option.) The bill also would:

- ! allow certain retirees to change to a Joint Survivor option after retirement;
- ! allow a retiree who married after retirement to select a Joint Survivor payment plan and to designate the new spouse as a beneficiary; and
- ! allow a retiree who selected a Joint Survivor payment and whose beneficiary died before the retiree to be eligible to change the retirement option one time on remarriage.

Most provisions of SB 522 would take effect January 1, 2002. However, effective September 1, 2001, a city council could opt out of the five-year vesting program by notifying TMRS trustees before December 31, 2001.

**SUPPORTERS  
SAY:**

SB 522 would continue efforts to improve the retirement program by allowing the five-year vesting and retirement option at 60 years of age. It also would allow more flexibility in cashing out smaller accounts.

SB 522 would address a fairness issue about the “pop-up” option by offering it to all retirees. When the program was begun, it was available only to those retiring after September 1, 1997. The program has proved to be popular and successful and should be an option for all retirees. SB 522 also would provide more options to designate beneficiaries after retirement.

All changes have been reviewed and approved by TMRS trustees. The changes would be at the option of the municipalities. The bill would have no fiscal implications for state or local governments.

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OPPONENTS  
SAY: No apparent opposition.

NOTES: The companion bill, HB 1043 by Kuempel, was considered in a public hearing by the House Pensions and Investments Committee on March 12 and left pending.