

## **BILL ANALYSIS**

H.B. 4080  
By: Smithee  
Pensions  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Interested parties note that municipalities participating in the Texas Municipal Retirement System (TMRS) may provide for certain cost-of-living adjustments for system retirees and beneficiaries. The parties assert that the law as it is written, absent any ordinance by a participating municipality changing or discontinuing this optional increase in retirement annuities, can result in the automatic provision of cost-of-living adjustments every year, which in turn may create the perception of those adjustments as a promised benefit to TMRS annuitants despite the fact that the annual repetition of the adjustments was never built into the system's funding formulas. The parties further note that some TMRS actuaries recently began valuing the adjustments as a promised benefit, which resulted in dramatic increases in both the contribution rates and the unfunded liabilities of member cities, prompting many cities to discontinue their annually repeating adjustments.

H.B. 4080 seeks to provide cities with certain options when determining their financial ability to grant such adjustments.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the board of trustees of the Texas Municipal Retirement System in SECTION 2 of this bill.

### **ANALYSIS**

H.B. 4080 amends the Government Code to require the governing body of a municipality participating in the Texas Municipal Retirement System (TMRS), if a municipal ordinance providing for increased annuities to retirees and beneficiaries of deceased retirees will cease to be in effect for a future year, or if an increase in annuities specified in such an ordinance will be changed or discontinued, to provide notice to members and annuitants by regular mail not later than the 60th day before the date on which the ordinance will cease to be in effect or the increase will be changed or discontinued. The bill requires such notice to be included with an annuitant's check or advice of deposit if the annuitant receives a periodic TMRS check or advice of deposit by regular mail.

H.B. 4080 provides as an alternative method for computing an optional increase in a retirement annuity paid by TMRS the computation of such an increase as the sum of the prior and current service annuities of the person on whose service the annuities are based on the effective date of the annuity increase multiplied by the percentage increase specified in the ordinance providing for increased annuities to retirees and beneficiaries of deceased retirees adopted by the

municipality's governing body. The bill prohibits an annuity adjustment after the annuity starting date for annuity increases computed under this alternate method from causing an annuitant's annuity to exceed the amount to which the annuitant would be entitled had the maximum amount of the annuity increase allowed under the existing method of computation been applied to the annuitant's annuity. The bill makes an increase computed under the alternative method applicable to all annuities for which the effective date of retirement of the person on whose service the annuity is based is at least 12 months before the effective date of the increase. The bill requires each distribution of a benefit by TMRS to be determined and made in accordance with applicable provisions of the federal Internal Revenue Code of 1986. The bill authorizes the TMRS board of trustees to adopt rules it considers necessary to comply with the distribution requirements.

#### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2015.