



CITY COUNCIL CONSIDERATION ITEM

CITY OF FAIR OAKS RANCH, TEXAS

August 17, 2023

AGENDA TOPIC: Consideration and possible action approving the second reading of an ordinance authorizing Restricted Prior Service Credit for employees who are members of the Texas Municipal Retirement System (TMRS)

DATE: August 17, 2023

DEPARTMENT: Human Resources & Communications

PRESENTED BY: Jennifer Hudson, IPMA-CP, Human Resources and Communications Specialist

INTRODUCTION/BACKGROUND:

The City of Fair Oaks Ranch first passed and approved participation in the Texas Municipal Retirement System (TMRS) in 1993 as an added benefit for employees of the City. Since that time, the City Council has reviewed and adopted new provisions and enhancements to include Supplemental Death Benefits, Updated Service Credits, 20-year service retirement eligibility, adopting the maximum allowable employee contribution rate, and increases to service annuities for retired employees and beneficiaries of deceased employees.

After an audit of our current TMRS plan with our account representatives we found that there were two optional provisions that the City has not yet adopted.

- 1.) Restricted Prior Service Credit
 - a. Allows employees to use previous full-time employment at another public employer to satisfy length of service requirements for TMRS retirement eligibility.
 - b. Full-time employment for any of the following entities may qualify for this credit:
 - i. A public authority or agency created by the United States;
 - ii. Any state or territory of the United States;
 - iii. Any political subdivision of any state of the United States;
 - iv. Any public agency or authority created by a state or territory of the United States;
 - v. Previously forfeited services with TMRS or one of the following retirement systems: Teacher Retirement System of Texas, Employee Retirement System of Texas, and Judicial Retirement System of Texas; or
 - vi. Any institution of higher education at which the person was commissioned as a campus security personnel employee
- 2.) Military Service Credit
 - a. Allows employees who have earned at least five years of creditable service in TMRS (from participating municipalities), to apply for up to one month of Military Service Credit (MSC) for each month of active-duty military service, up to a maximum of five years, and apply this credit toward retirement eligibility.

After a thorough review of each provision the recommendation is that City Council adopt the Restricted Prior Service Credits as it is a wholistic provision for all employees inclusive of military service, without the maximum limit restrictions.

City Council approved the first reading of this ordinance at the August 3, 2023, council meeting by a vote of five to one.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

- Meets Strategic Action Plan item 5.1.1 – Evaluate and Update Compensation and Benefit Plans Inclusive of Exempt/Non-Exempt status.
- Will address an opportunity to enhance our current TMRS benefit structure to promote recruitment efforts in a competitive market.

LONG-TERM FINANCIAL & BUDGETARY IMPACT:

- City contribution rates will not be immediately affected by adoption of the Restricted Prior Service Credit.
- Future years may be impacted by allowing time credits for vesting and retirement eligibility. Some employees will be eligible for retirement at an accelerated time schedule.
- This provision will have no impact on employees' monetary contribution amounts or the City's matching contributions for individual employees. The Restricted Prior Service Credit only affects time credits when an employee is eligible for retirement annuities.

LEGAL ANALYSIS:

Approved as to form.

RECOMMENDATION/PROPOSED MOTION:

I move to approve the second reading of an ordinance authorizing Restricted Prior Service Credit for employees who are members of the Texas Municipal Retirement System (TMRS).