



AGENDA MEMORANDUM

First Reading Ordinance for the City Council Meeting August 29, 2023
Second Reading Ordinance for the City Council Meeting September 05, 2023

DATE: August 29, 2023
TO: Peter Zaroni, City Manager
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Adopting Texas Municipal Retirement System (TMRS) non-retroactive repeating COLAs and annual accrual updated service credits

CAPTION:

Ordinance authorizing updates to the City of Corpus Christi's Texas Municipal Retirement System benefits (1) adopting non-retroactive repeating COLAs for retirees and their beneficiaries under Texas Municipal Retirement System Act and (2) authorizing annually accruing updated service credits; decreasing the TMRS contribution rate from 16.57% to 16.29% for calendar year 2024.

SUMMARY:

The Cost-of-Living Adjustment (COLA) for Texas Municipal Retirement System (TMRS) retirees is currently set at 30% of the Consumer Price Index (CPI). This ordinance will modify how the COLA will be calculated by using a new, non-retroactive repeating COLA.

BACKGROUND AND FINDINGS:

Currently, TMRS calculates COLA retroactively. Specifically, they look back to the cumulative change in the Consumer Price Index (CPI) and each retiree's retirement date. However, earlier this year, the Texas Legislature amended the TMRS Act to provide participating cities with a new, non-retroactive repeating COLA option. The amendment became effective on May 27, 2023. The new non-retroactive repeating COLA option eliminates the retroactive calculation by only looking back to the change in the CPI for the one-year period that ends 12 months before the COLA's effective date (the "New COLA Option").

With a non-retroactive repeating COLA, the percentage of COLA received by eligible retirees and beneficiaries will be the same, regardless of the retirement date. This ordinance will modify how the COLA will be calculated by using a new, non-retroactive repeating COLA. This change will be effective beginning January 1, 2024 using 2022 CPI. For calendar year 2024, the City's TMRS contribution rate will decrease from 16.57% to 16.29%, beginning January 1, 2024.

Adopting the New COLA Option replaces any previous COLA and remains in effect until the city adopts any ordinance impacting COLAs.

On October 15, 2019, the City Council approved the previous collective bargaining agreement with the Corpus Christi Police Officer's Association (CCPOA), which included provisions for

Updated Service Credits and a COLA of 30% CPI. Shortly thereafter, on December 10, 2019, the City Council approved an ordinance providing a retroactive COLA of 30% CPI for all non-uniformed City retirees and beneficiaries.

Earlier this year, the Texas Legislature amended the TMRS Act to provide participating cities with a new, non-retroactive repeating COLA option. The amendment became effective on May 27, 2023.

The current collective bargaining agreement with CCPOA was approved by the City Council on July 25, 2023. The current agreement includes provisions for Updated Service Credits and COLA of 30% CPI change.

ALTERNATIVES:

The alternative is to not make the recommended changes, but instead to keep the current retroactive repeating COLA. However, if the recommended changes are not approved, the many differing retirement dates among retirees will still be in effect which will continue to cause the percentage of COLA received by each retiree to vary.

FISCAL IMPACT:

For the calendar year 2024, the City's TMRS contribution rate will decrease from 16.57% to 16.29%, beginning January 1, 2024. In moving from the COLA retroactive repeating to the non-retroactive repeating, the amount of savings will be approximately \$435,000 for nine months of Fiscal Year 2024 (the change is effective January 1, 2024). Future budget years will see similar savings.

RECOMMENDATION:

Staff recommends the adoption of the Ordinance establishing non-retroactive COLA, as presented.

LIST OF SUPPORTING DOCUMENTS:

Ordinance