

BILL ANALYSIS

C.S.H.J.R. 54

By: King

Pensions & Investments

Committee Report (Substituted)

BACKGROUND AND PURPOSE

Texas statutory law and local ordinances created pension plans, but a Depression-era ruling by the Texas Supreme Court, *City of Dallas v. Trammell*, in 1937 subordinated Texans' right to that property, should the Legislature or local government take actions to diminish or abolish people's benefits. Dallas public employees' pensions were actually cut in half and the Texas Supreme Court ruled Texas law allowed this action. Currently, Texas law allows for pension plans for employees of local governments. However, there is no law that provides a guarantee that retiring municipal employees will receive the pension benefits promised to them under these pension plans. Even if a public employee has fulfilled all obligations required to collect full benefits at the time of his or her retirement, he or she may not receive the full benefits earned through a lifetime of public service. Under ERISA (Employee Retirement Income Security Act), private-sector employees have no similar jeopardy. This issue dramatically impacts the retirement security of the men and women who provide police and fire protection, as well as those who operate our cities and other units of local government. Texas's neighbors, Louisiana and Oklahoma, have the toughest laws protecting public employee pension funds.

CSHJR 54 would guarantee an annuitant's benefit, and provide for securing the formula/multiplier for the active or inactive member for the years worked should it need to be changed in the future. It also states that a local government is only responsible for what they have previously agreed to.

RULEMAKING AUTHORITY

It is the committee's opinion that this resolution does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution..

ANALYSIS

SECTION 1: Amends Section 67, Article XVI, Texas Constitution by adding Subsection (h) which states that the retirement and death benefits provided by a public retirement system which is not a statewide retirement system or is a statewide system for voluntary emergency services personnel may not reduce or impair benefits for service performed before the effective date of this amendment. Annuitants are guaranteed their formula/multiplier for the years they worked under that formula/multiplier. Future benefits to the persons not retired, however, may be manipulated by the pension system if necessary to ensure the funds soundness. It also provides that a local government is responsible for only what they have previously agreed to.

FOR ELECTION

Election to be held November 4, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The original bill guaranteed pension and death benefits for members of a public pension fund that is not a statewide plan or is a statewide plan for volunteer emergency services personnel by stating that membership in such a plan is a contractual relationship. It did not guarantee any benefits for persons who were no longer members on its effective date. The substitute changes this provision to guarantee only benefits already received under formulas worked under and guarantee benefits for current annuitants.. It gives the local government the ability to alter benefits in the future for protection of the pension fund. A local government is not responsible for anything other than what has been previously agreed to.