

BILL ANALYSIS

C.S.H.B. 2747
By: McClendon
Pensions & Investments
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The San Antonio Firefighters and Police Officers Retiree Health Care Fund is a statutory trust that was established by the Legislature (Art. 6243q). This Fund provides health care benefits for over 1500 retired members and their beneficiaries. It is funded by contributions by the City of San Antonio (COSA) and active firefighters and police officers employed by COSA.

The Fund was created by the Legislature in 1997. At its creation, the statute required contributions and benefits be determined by collective bargaining. The amount of contributions was set by agreement based on actuarial studies in the mid-1990's.

Based on four recent actuarial studies, the assumptions used to determine contribution rates were substantially less than needed to adequately provide benefits. This bill makes necessary changes to avoid the fund's demise over the next 20 years.

RULEMAKING AUTHORITY

It is the opinion of the committee that this bill does not expressly delegate any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1. Amends Section 1.02, Article 6243q, V.T.C.S., to provide new defined terms relating to the proposed changes.

SECTION 2. Amends Sections 1.03, Article 6243q, V.T.C.S., to clarify applicability to municipalities this legislation affects.

SECTION 3. Amends Section 2.01(b), Article 6243q, V.T.C.S., to provide that there is no need to have an election when a trustee is unopposed.

SECTION 4. Amends Section 2.03(c), Article 6243q, V.T.C.S., to clarify election procedures.

SECTION 5. Amends Section 2.04(b), Article 6243q, V.T.C.S., to provide for election of officers.

SECTION 6. Adds Sections 3.01(f)-(k), Article 6243q, V.T.C.S to provide the ability to meet for site visits for investments without posting under the Open Meetings Act, codify case law regarding liability of trustees, and provide protection of member's personal records under the Open Records Act.

SECTION 7. Amends the heading to Article 4, Article 6243q.

SECTION 8. Amends Section 4.01, Article 6243q, V.T.C.S., to clarify who is a member of the fund.

SECTION 9. Amends Section 4.02, Article 6243q, V.T.C.S., to require contributions by the active members increasing annually over fifteen (15) years and to set forth provisions for contributions by certain retirees and their spouses post-retirement.

SECTION 10. Adds Sections 4.021 and 4.022, Article 6243q, V.T.C.S., to require the City to make contributions over a fifteen (15) year period, and to provide members who serve in the U.S. Military a mechanism to purchase service credit for time spent on active duty.

SECTION 11. Amends Section 4.03(b), Article 6243q, V.T.C.S., to make changes required for IRS compliance.

SECTION 12. Amends Section 5.01, Article 6243q, V.T.C.S., to establish eligibility for and level of health benefits, eliminate conflict with collective bargaining agreements, authorize the board to adjust plan benefits if such changes do not adversely affect financial stability of the fund, and increase the maximum out-of-pocket contributions by retirees by \$500.

SECTION 13. Amends Section 6.02, Article 6243q, V.T.C.S., to require monthly financial reports to the board of the fund.

SECTION 14. Amends Section 6.04(c), Article 6243q, V.T.C.S., to clarify references to IRS regulations.

SECTION 15. Amends Section 6.05(a), Article 6243q, V.T.C.S., to provide for engagement of professionals to assist the board.

SECTION 16. Amends Section 6.06, Article 6243q, V.T.C.S., to eliminate the requirement that investment managers be registered under Investment Advisors Act of 1940 but maintains the requirement for investment consultants.

SECTION 17. Repeals Section 6.01, Article 6243q, V.T.C.S., to remove any requirement for a treasurer of the board. Since the Fund has a professional management team, the position of "treasurer" is being abolished. The City of San Antonio no longer has a treasurer and has no day-to-day responsibility for Fund administration.

SECTION 18. Effective date.

EFFECTIVE DATE

October 1, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The original bill contained contribution rates based on a prior year's actuarial study. The Committee Substitute takes into consideration the most recent financial audit and actuarial study at end of FY 2004. Other changes in the Committee Substitute include revisions to Section 6 that reflect improvements to administrative rules governing the fund's operations.