

BILL ANALYSIS

H.B. 1318
By: Dukes
Pensions & Investments
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Under current law, members of police retirement systems have their accounts credited at a rate of 5% annually. The interest credited only benefits a member who terminates covered employment and withdraws his or her deposits prior to retirement.

This bill makes changes to retirement systems of municipalities with populations between 600,000 and 700,000, which applies to the Austin Police Retirement System (APRS). This bill would make changes to the APRS, including reducing the amortization period of the system's unfunded actuarial liabilities and thus strengthening the system, it makes changes to lump sum death benefit payments, credits interest on members' contributions and makes administrative changes.

RULEMAKING AUTHORITY

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

ANALYSIS

This bill amends the Texas Civil Statutes to credit interest to the accounts of vested members of the system at a rate of five percent. Interest that has already been credited to the account of a member, without regard to whether the member is vested at the time, remains credited to the member's account.

It also authorizes the board to reimburse a trustee or an employee of the police retirement system for liability and legal expenses incurred as a result of an action taken in the person's official capacity, provided that person acted in good faith.

This bill adds requirements regarding the confidentiality standards of the members of APRS.

An eight percent interest rate is charged to the members of APRS for various service buyback provisions. This bill provides that a "permissive service credit" may be purchased by a deceased member's designated beneficiary if there is no surviving spouse, and allows such credit to be purchased based on deferring the actual date when retirement benefits would begin.

This bill also increases the lump sum death benefit payable from \$7,500.00 to \$10,000.00 for the minimum death benefit payable upon death of a member not eligible to retire, the death benefit payable upon death of a member eligible to retire, and the death benefit payable upon the death of a retiree.

The bill stipulates that only members who are making contributions to the system may apply for disability retirement. Persons who are on a non-pay status may apply to the Board for extended eligibility.

This bill also prohibits mandatory distributions to persons who are eligible for a tax-free rollover distribution.

EFFECTIVE DATE

September 1, 2007.