BILL ANALYSIS

S.B. 1628
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Pensions, Investments & Financial Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The Texas Legislature enacts regulations that control the operation of a pension fund established to protect the pensions of municipal fire fighters, police officers, and their beneficiaries because of the hazardous nature of these professions. The San Antonio fire and police pension fund was created to provide retirement and disability annuities to qualifying fire fighters, police officers, and their surviving spouses or children. The fund needs to be amended to accommodate disbursed funds, cost-of-living adjustments, and other eligibility requirements. The changes proposed in this bill maintain the actuarial stability of the fund and are the result of a two-year process of public input and financial analysis to provide targeted benefits to those members who need it during this time of financial instability.

S.B. 1628 amends the terms of the existing pension fund that is codified as Article 6243o, Vernon's Texas Civil Statutes, relating to police and fire fighter retirement systems in municipalities within a specified population bracket. The bill amends the timing requirements for certain payments and eligibility requirements for surviving spouses and clarifies and defines certain terms used throughout provisions relating to the fund. The bill authorizes alternate payees to appear before the board of trustees to contest an application for membership or grant of annuity with the same rights as a member or beneficiary of the fund and subjects an alternate payee to the same information requirements and annuity reduction provisions. The bill authorizes fire and police chiefs to make an irrevocable election to not become members of the fund if certain specified procedures are followed. The bill offers members employed for a probationary period the option of purchasing service credits for each month of the probationary period for up to 10 months. The bill also amends the qualified amounts dispersed and accumulated in the fund, makes cost-of-living adjustments for certain members, and changes the amount received by surviving spouses and children.

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

S.B. 1628 amends the law relating to police and fire fighter retirement systems in municipalities with a population between 1.14 million and 1.18 million to include an alternate payee among those individuals entitled to receive benefits from the fire fighters and police officers pension fund of a municipality to which the law applies. The bill defines "alternate payee," by reference, as a spouse, former spouse, child, or other dependent of a member or retiree who is recognized by a domestic relations order as having a right to receive all or a portion of the benefits payable by a public retirement system with respect to such member or retiree. The bill establishes that an alternate payee is required to act in the same manner of a retiree or beneficiary and engage in the appropriate actions to receive the benefits of the fund.

S.B. 1628 adopts provisions applicable to a police and fire fighter retirement system in municipalities to which the law applies. The bill authorizes a fire chief or a police chief of such a municipality, not later than the 30th day after the date the fire chief or police chief assumes office, to make an irrevocable election to not become a member of the fire fighters and police officers pension fund. The bill requires the election to be made by delivery of written notice of the election to the secretary of the board of trustees of the fire fighters and police officers pension fund. The bill designates a fire chief or police chief who does not make an election as a member of the fund. The bill prohibits a fire chief or police chief who was a member of the fund at any time during the two years preceding the date the fire chief or police officer assumes office from making an election.

S.B. 1628 authorizes a member employed for a probationary period by a municipality to elect to purchase one month of service credit for each full month in the member's probationary period, up to a maximum of 10 months. The bill requires the member to pay to the fund, on or before September 30, 2010, for each month of service credit, an amount equal to the sum of the member buyback contribution amount for the member and interest on the member buyback contribution amount at the rate of eight percent per annum, compounded annually, calculated for the period beginning on the first day after the class graduation date for the member's class and ending on the earlier of December 31, 2009, or the date the fund receives the required payment. The bill prohibits a member from electing to purchase a partial month of service credit. The bill establishes that a member is not required to elect to purchase more than one month of service credit. The bill authorizes a member to make the payment only with qualified funds. The bill requires a member to make an election to purchase the service credit described above on or before December 31, 2009, in accordance with policies and procedures adopted by the board. The bill provides that an election to purchase such service credit is void unless the member makes the full required payment before the earlier of the date of the member's retirement or the date of the member's death. The bill requires the fund, if a member makes only partial payment before the earlier of the date of the member's retirement or the date of the member's death, to refund all payments received, without interest, to the member, if the member is alive, or to the member's estate, if the member is dead. The bill requires the fund to refund a partial payment not later than the 60th day after the date of the member's retirement or the date of the member's death, as applicable.

S.B. 1628 specifies that the Back DROP election results in a lump-sum payment for a number of full months of service by the member that does not exceed the lesser of the number of months of service credit the member has in excess of 20 years or 60 months, rather than 48 months.

S.B. 1628 excepts a retiree who is 65 years of age or older as of December 31 of the previous year from the requirement for each disability retiree to provide the board annually not later than May 1 of each year with a true and complete copy of the retiree's income tax return for the previous year.

S.B. 1628 extends the application of the existing adjustment for cost-of-living increases in an annuity for a member whose service retirement, disability retirement, or death occurred on or after August 30, 1971, but before October 1, 1997, to include an annuity for a member whose service retirement, disability retirement, or death occurred before October 1, 1999. The bill establishes that such cost-of-living increases do not apply to an annuity until the annuity becomes effective.

S.B. 1628 increases the share of a death benefit annuity awarded by the board to the surviving spouse of a deceased member or retiree from one-half to 75 percent, and decreases the share of that annuity awarded by the board to the dependent child or children of a deceased member or retiree from one-half to 25 percent. The bill establishes that the allocation of such an annuity is effective as to all annuities payable by the fund as of October 1, 2009, that are payable in part to a surviving spouse and in part to one or more surviving children. The bill establishes that the allocation of such an annuity applies only to benefits payable by the fund after September 30, 2009, and do not affect benefits paid or payable by the fund before October 1, 2009. The bill establishes that if, at the time a death benefit annuity becomes payable, a deceased member or retiree leaves a surviving spouse who is not entitled to an annuity on the date of death and one or more dependent children, the dependent child or children shall be awarded 100 percent of the death benefit annuity until the annuity to the surviving spouse becomes effective. The bill establishes that the death benefit to which a surviving spouse is entitled as a result of a retiree's death that occurs on or after October 1, 2009, is payable by the fund on the date of the retiree's death if the surviving spouse is 55 years of age or older on the date of the retiree's death. The bill requires the annuity, if the surviving spouse is not 55 years of age or older on the date of the retiree's death, to be payable by the fund on the date the surviving spouse reaches age 55. The bill excludes a surviving spouse who is not 55 years of age or older on the date of the retiree's death from benefits from the fund during the period beginning on the date of the retiree's death and ending on the date the surviving spouse reaches age 55.

S.B. 1628 removes the provision requiring the surviving spouse and retiree to have been married for at least 2-1/2 years, if the marriage occurs after the member's retirement for the surviving spouse to be entitled to the lump-sum death benefit, and increases that lump-sum benefit entitled the surviving spouse of a retiree who was married to the retiree for less than five consecutive years from $2,500 to $15,000. The bill prohibits the number of months a surviving spouse elects to use in computing the lump-sum payment from exceeding 60 months, rather than 48 months.

S.B. 1628 defines "class," "class graduation date," "member buyback contribution amount," "probationary period," and "qualified funds" and redefines "member."

S.B. 1628 repeals Section 4.01(c), Chapter 824 (S.B. 817), Acts of the 73rd Legislature, Regular Session, 1993 (Article 6243o).

EFFECTIVE DATE

October 1, 2009.