

BILL ANALYSIS

S.B. 1133
By: Rodríguez
Pensions
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties assert that the provision in current law relating to the local firemen and policemen pension fund of a city or town with a specified population bracket that requires a costly election to obtain the approval of a majority of the voters of such city or town for a contribution rate adjustment presents an impediment to the governing body of the city or town considering an action that may be necessary or prudent. The parties also note the absence of express provisions in that law for an amortization period other than the maximum 40-year period for such a pension fund's unfunded actuarial accrued liability, which the parties assert has been determined by the State Pension Review Board to be at the limit of acceptability, and the absence of express provisions for decreasing contribution rates when a qualified actuary determines that the total contribution rate is sufficient to amortize the unfunded actuarial accrued liability over a 25-year period, or within the board's most preferred amortization period. The interested parties contend that the two situations combine to limit the flexibility a city or town needs to address funding situations with respect to their local firemen and policemen pension funds.

S.B. 1133 seeks to address these problems by allowing the governing bodies of such a city or town to decrease contribution rates to the local firemen and policemen pension fund under certain circumstances and to make rate adjustments as part of the budgeting process in a manner similar to the administration of the major public retirement systems in Texas.

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. 1133 amends Chapter 101 (H.B. 31), Acts of the 43rd Legislature, 1st Called Session, 1933 (Article 6243b, Vernon's Texas Civil Statutes) to authorize the governing body of a city or town with a specified population bracket to decrease the rate of the city or town contribution to the local firemen and policemen pension fund if a qualified actuary selected by the pension fund's board determines that the total contribution rate to the fund, expressed as a percentage of wages, is sufficient to amortize the unfunded actuarial accrued liability, as defined under the Governmental Accounting Standards Board Statement No. 25, over a 25-year period. The bill requires the member contribution rate to the fund, to the extent that the city or town contribution rate decreases, to decrease in proportion to the decrease in the city or town contribution rate and prohibits the sum of both rates after the decrease from falling below the total contribution rate determined by the qualified actuary to be necessary to amortize the unfunded actuarial accrued liability over a 25-year period.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2013.