

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 12, 2019

TO: Honorable Jim Murphy, Chair, House Committee on Pensions, Investments & Financial Services

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: **HB3188** by Gervin-Hawkins (relating to the retirement system in certain municipalities for firefighters and police officers.), **Committee Report 1st House, Substituted**

<p>No significant fiscal implication to the State is anticipated.</p>
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The bill would amend the Acts of the 73rd Legislature, Regular Session, 1993 as amended (Acts) to make various changes to the municipal pension plan for firefighters and police officers in San Antonio.

The bill would amend Section 1.02 of Acts to modify certain definitions including exempting certain disabilities suffered in the performance of duties from a definition of "catastrophic injuries"; removing a restriction that dependents be claimed as such on a federal income tax return; and defining "Total Salary" to include elections to certain investment accounts described in the Internal Revenue Code.

The bill would amend Sections 2.02, 3.01, and 3.02 of Acts to modify the terms of members of the Board of Trustees ("the Board") for the pension plan appointed by the mayor and the municipal governing body; and to clarify the power of the board to disburse benefits.

The bill would amend Section 4.03 of Acts to modify the procedures by which a member may establish service credit for military service. It would establish that survivors of a member who dies while performing qualified military service are eligible for the death annuity that would have been in effect had the member returned to work and then terminated employment as a result of death.

The bill would amend Section 5.03 of Acts to clarify that eligibility for disability retirement must be established to the satisfaction of the Board. It specifies that the Board may consider any evidence it considers necessary or appropriate. The bill would also clarify the circumstances under which suspended members are eligible for disability retirement.

The bill would amend Section 5.04 of Acts to clarify that the retirement annuity is calculated based on total salary.

The bill would amend Section 5.05 of Acts to include individuals who retired due to disability prior to August 30, 1971, in processes and procedures relating to medical re-examination and reduction of disability retirement benefits.

The bill would amend Section 5.07 of Acts to authorize the Board to restore a disability retirement annuity that was reduced due to provisions of the chapter that require a reduction in an annuity due to outside income in some circumstances.

The bill would make several amendments to Section 5.10 of Acts. It would authorize rollover distributions. It would cap total salary for the calculation of an retirement or disability/death annuity at \$405,000 per year for individuals who became members prior to 1996 and \$270,000 per year for individuals who became members after 1996 and make those thresholds subject cost of living increases as specified in the United States Internal Revenue Code of 1986. It would remove the discretion of the Board regarding applying certain cost-of-living increases. It would increase the age at which a member becomes 100 percent vested from 20 years to "normal retirement age" and define that age.

The bill would amend Section 6.02 of Acts to clarify that a child adopted after the date of retirement of the member is not entitled to a death benefit annuity.

The bill would amend Section 6.03 of Acts to make children of a member killed in the line of duty eligible for a death benefit and modify the calculation of this death benefit to adjust for members killed with less than 12 months of service.

The bill would amend Section 6.04 of Acts to make certain spouses and children who were ineligible for an annuity due to marriage according to provisions in effect prior to October 1, 1995, eligible for retroactive annuity payments and cost of living increases.

The bill would amend Section 6.10 of Acts regarding rights to a death annuity while under indefinite suspension. It establishes that payment of these benefits require that the suspension was under active appeal and that the Board determine the member had a reasonable chance of having the suspension revoked or modified to a suspension for a limited period.

The bill would amend Section 6.105 of Acts to establish the date an indefinite suspension becomes final.

The bill would amend Section 6.15 of Acts to establish that a death annuity is denied if the death of the member or beneficiary was caused by a willful action of an individual who would benefit from the death of the member or beneficiary.

The bill would take effect October 1, 2019.

Local Government Impact

According to the actuarial analysis provided by the San Antonio Fire & Police Pension Fund (the Fund), based on the benefit provisions, data, actuarial assumptions and actuarial funding methods included in the January 1, 2018 actuarial valuation, the changes are expected to have no impact on the cost, effective amortization period, or funded ratio of the Fund. The current contribution levels are expected to continue to meet actuarial funding requirements.

Source Agencies:

LBB Staff: WP, CMa, SD, GP, KFB