

By: Davis

H.B. No. 3375

A BILL TO BE ENTITLED

AN ACT

relating to certain benefits payable by the public retirement systems for police and fire fighters in certain municipalities.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Article 6243a-1, Revised Statutes, is amended by adding Section 6.065 to read as follows:

Sec. 6.065. PARTIAL LUMP-SUM OPTION FOR UNFORESEEABLE EMERGENCY OR FINANCIAL HARDSHIP. (a) A person who is eligible to receive a monthly death benefit payment under this article may elect to receive a partial lump-sum distribution under this section in the event of an emergency or a financial hardship that was not reasonably foreseeable by the person provided the board ensures the person receives a corresponding reduction in the total number or amount of benefit payments.

(b) The board shall adopt rules necessary to implement this section, including rules:

(1) identifying the types of death benefits payable under this article that are eligible for a partial lump-sum distribution under this section;

(2) establishing the maximum lump-sum distribution that may be paid under this section; and

(3) regarding what constitutes an emergency and a financial hardship for purposes of this section.

SECTION 2. Sections 6.14(d), (e), (e-3), and (e-4), Article

1 6243a-1, Revised Statutes, are amended to read as follows:

2 (d) On leaving active service and on the board's grant of a  
3 retirement pension in accordance with Subsection (a)(1) of this  
4 section, a [A] member may begin to receive the balance of [not  
5 receive a distribution from] the member's DROP account under one of  
6 the following methods of distribution elected by the member:

7 (1) a single-sum distribution made at a time selected  
8 by the member but not later than April 1 of the year after the member  
9 attains 70-1/2 years of age;

10 (2) an annuity to be paid in accordance with  
11 Subsection (e) of this section; or

12 (3) substantially equal monthly or annual payments of  
13 the person's account balance beginning at a time selected by the  
14 member that is on or before April 1 of the year after the member  
15 attains 70-1/2 years of age and extending over a fixed period that  
16 does not exceed the life expectancy of the member, or the life  
17 expectancy of the member and the member's designated beneficiary,  
18 if applicable [while the member is on active service].

19 (e) Except as provided by Subsections (e-1) and (1) of this  
20 section, the balance in the DROP account of a member who makes an  
21 election to receive that balance as an annuity under Subsection  
22 (d)(2) of this section and [terminated from active service on or  
23 before September 1, 2017, or] who terminates from active service  
24 shall be [distributed to the member in the form of an annuity,]  
25 payable either monthly or annually at the election of the member, by  
26 annuitizing the amount credited to the DROP account over the life  
27 expectancy of the member as of the date of the annuitization using

1 mortality tables recommended by the pension system's qualified  
2 actuary. The annuity shall be distributed beginning as promptly as  
3 administratively feasible after ~~[the later of, as applicable,~~

4 ~~[(1)]~~ the date the member retires and is granted a  
5 retirement pension ~~[, or~~

6 ~~[(2) September 1, 2017]~~.

7 (e-3) The board shall ~~[may]~~ by rule allow:

8 (1) a DROP participant who has terminated active  
9 service and who is eligible for a retirement pension to ~~[+~~

10 ~~[(1)]~~ assign the distribution from the participant's  
11 annuitized DROP account to a third party provided the pension  
12 system receives a favorable private letter ruling from the Internal  
13 Revenue Service ruling that such an assignment will not negatively  
14 impact the pension system's qualified plan status; and

15 (2) subject to Subsection (e-4) of this section, the  
16 surviving spouse or other beneficiary of a DROP account eligible  
17 for an annuity under Subsection (g) of this section, in the event of  
18 an emergency or a financial hardship that was not reasonably  
19 foreseeable by the beneficiary, to obtain a lump-sum distribution  
20 from the ~~[participant's]~~ DROP account, provided the board ensures  
21 the beneficiary receives ~~[resulting in]~~ a corresponding reduction  
22 in the total number or ~~[in the]~~ amount of annuity payments.

23 (e-4) The board shall adopt rules necessary to implement  
24 Subsection (e-3)(2) of this section, including rules regarding what  
25 constitutes an emergency and a financial hardship for purposes of  
26 that subdivision. In adopting the rules, the board shall provide  
27 flexibility to members.

1 SECTION 3. Section 6.141(b), Article 6243a-1, Revised  
2 Statutes, is amended to read as follows:

3 (b) Notwithstanding Section 6.14 of this article and solely  
4 to avoid the possibility of an early distribution tax penalty under  
5 Section 72(t)(4) of the code:

6 (1) a pensioner subject to this section may until the  
7 pensioner attains 59-1/2 years of age:

8 (A) subject to Subsection (c) of this section,  
9 continue to participate in DROP;

10 (B) have the same amount of the pensioner's  
11 service retirement pension credited to the pensioner's DROP account  
12 as has been credited since the pensioner's service retirement  
13 pension was initially granted; and

14 (C) defer distribution [~~annuitization~~] of the  
15 pensioner's DROP account under Section 6.14(d) [~~6.14(e)~~] of this  
16 article; and

17 (2) once a pensioner subject to this section attains  
18 59-1/2 years of age:

19 (A) the pensioner may not have any portion of the  
20 pensioner's service retirement pension credited to the pensioner's  
21 DROP account; and

22 (B) as soon as administratively feasible, the  
23 balance in the pensioner's DROP account shall be [~~annuitized and~~]  
24 distributed to the pensioner in accordance with Section 6.14(d)  
25 [~~Section 6.14(e)~~] of this article.

26 SECTION 4. (a) Except as provided by Subsection (b) of this  
27 section, Section 6.14, Article 6243a-1, Revised Statutes, as

1 amended by this Act, applies only to a distribution out of a  
2 deferred retirement option plan account that is made on or after the  
3 implementation of that section. A distribution out of a deferred  
4 retirement option plan account that is made before the  
5 implementation of that section is governed by the law in effect when  
6 the distribution is made.

7 (b) This subsection applies only to a person who began  
8 receiving a distribution out of a deferred retirement option plan  
9 account in the form of an annuity under Section 6.14(e) or (e-1),  
10 Article 6243a-1, Revised Statutes, as those sections existed before  
11 the effective date of this Act, on or after September 1, 2017, and  
12 before September 1, 2021. The board of trustees of the pension  
13 system established under Article 6243a-1, Revised Statutes, shall  
14 by rule establish a process to allow a person subject to this  
15 subsection to make a one-time election to receive a distribution of  
16 the balance of the person's deferred retirement option plan account  
17 under a method described by Section 6.14(d)(1) or (3), Article  
18 6243a-1, Revised Statutes, as amended by this Act.

19 SECTION 5. This Act takes effect September 1, 2021.