

BILL ANALYSIS

C.S.H.B. 3340

By: Metcalf

Pensions, Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Local leaders in Houston have raised concerns that the City of Houston is facing a deficit of thousands of public safety officers for both the fire and police departments. The city is struggling to recruit and retain enough officers to keep up with the increasing demands for public safety services. C.S.H.B. 3340 seeks to assist the city in attracting and retaining experienced professional firefighters and police officers by amending the governing statutes of the Houston Firefighters' Relief and Retirement Fund and the Houston Police Officers' Pension System to allow eligible members the opportunity to retire after 20 years of service and to revise eligibility requirements for participation in the respective deferred retirement option plan programs for members who are eligible to retire but continue to serve.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

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

Police Officers

C.S.H.B. 3340 amends the Revised Statutes to revise provisions governing the police officers' pension system in a municipality with a population of two million or more in the following manner:

- removes a separate normal retirement age for members who were hired or rehired before, on, or after October 9, 2004, and establishes a single definition of "normal retirement age" as the age at which the member attains 20 years of service or the age at which the member first attains both the age of at least 60 and at least 10 years of service;
- replaces a provision making a member who separates from service after attaining normal retirement age or who separates from service as a classified police officer with the city after a certain date and earning 10 years or more but less than 20 years of service eligible to receive a monthly service pension with a provision making a member who separates from service after at least 20 years of participation in the system eligible for that pension;
- removes as a condition of eligibility for participation in the deferred retirement option plan (DROP) for a member to have been hired before October 9, 2004, regardless of whether the member was hired before that date and reinstated under arbitration, civil service, or a court ruling after that date; and
- removes the specification in the method for calculating the hypothetical earnings rate for purposes of the DROP that the average of the aggregate annual rate of the system's

investments used in that calculation is a compounded average and changes the multiplier for the rate from 65 percent to 70 percent.

Firefighters

C.S.H.B. 3340 revises the firefighters' relief and retirement fund in a municipality with a population of at least two million in the following manner:

- removes a separate normal retirement age for members who were hired or rehired before, on, or after the year 2017 effective date and establishes a single definition of "normal retirement age" as the age at which the member either attains 20 years of service or first attains both the age of at least 50 and at least 10 years of service;
- replaces a provision making a member who was hired or rehired as a firefighter on or after the year 2017 effective date and who terminates active service for any reason other than death entitled to receive a service pension when the sum of the member's age in years and the member's years of participation in the fund equals at least 70 with a provision entitling such a member to receive a service pension at the age at which the member attains 20 years of service;
- extends the optional election to participate in the DROP to any member who is eligible to receive a service pension and who remains in active service;
- extends from 13 to 20 the maximum number of years for which an active member may participate in the DROP on or after the year 2017 effective date but specifies that the exemption from a provision making DROP participants ineligible for certain disability pension benefits applies only to members with less than 13 years of DROP participation;
- changes the annual rate at which a member's DROP account is credited with earnings from a rate equal to 65 percent of the compounded average annual return earned by the fund over a certain period to a rate equal to 70 percent of the average annual return earned by the fund over that period; and
- removes from provisions providing for a deferred pension at age 50 and for a refund of contributions a specification that those provisions apply only to a member who is hired or rehired before, on, or after the year 2017 effective date, as applicable.

Applicability

C.S.H.B. 3340 applies to members of both the firefighters' relief and retirement fund and the police officers' pension system who, as applicable, retire, participate in DROP regardless of when participation began, or terminate active service on or after the bill's effective date.

EFFECTIVE DATE

January 1, 2024.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 3340 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute includes a provision that was not in the introduced removing a condition of eligibility for participation in the police officers' pension system's DROP.

The substitute includes provisions that were not in the introduced establishing that the bill applies to members of both the firefighters' relief and retirement fund and the police officers' pension system who retire, participate in DROP, or terminate active service on or after the bill's effective date.

The substitute changes the bill's effective date from on passage or, if the bill does not receive the necessary vote, September 1, 2023, to January 1, 2024.