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H.B. No. 3340

A BILL TO BE ENTITLED

AN ACT

relating to the public retirement systems of certain municipalities.

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

ARTICLE 1. FIREFIGHTERS' RELIEF AND RETIREMENT FUND

SECTION 1.01. The heading to Article 6243e.2(1), Revised Statutes, is amended to read as follows:

Art. 6243e.2(1). FIREFIGHTERS' RELIEF AND RETIREMENT FUND IN MUNICIPALITIES OF AT LEAST 2,000,000 [~~1,600,000~~] POPULATION.

SECTION 1.02. Section 1(13-e), Article 6243e.2(1), Revised Statutes, is amended to read as follows:

(13-e) "Normal retirement age" means:

(A) [~~for a member, including a member who was hired before the year 2017 effective date and who involuntarily separated from service but has been retroactively reinstated in accordance with an arbitration, civil service, or court ruling, hired before the year 2017 effective date,~~] the age at which a member attains 20 years of service; or

(B) [~~except as provided by Paragraph (A) of this subdivision, for a member hired or rehired on or after the year 2017 effective date,~~] the age at which the member first attains both the age of at least 50 and at least 10 years of service [~~sum of the member's age, in years, and the member's years of participation in the fund equals at least 70~~].

SECTION 1.03. Section 2(a), Article 6243e.2(1), Revised Statutes, is amended to read as follows:

(a) A firefighters' relief and retirement fund is established in each incorporated municipality that has a population of at least 2,000,000 [~~1,600,000~~] and a fully paid fire department.

SECTION 1.04. Section 4(a), Article 6243e.2(1), Revised Statutes, is amended to read as follows:

(a) A member who terminates active service for any reason other than death is entitled to receive a service pension provided by this section if the member was:

(1) hired as a firefighter before the year 2017 effective date, including a member who was hired before the year 2017 effective date and who involuntarily separated from service but has been retroactively reinstated in accordance with an arbitration, civil service, or court ruling, at the age at which the member attains 20 years of service; and

(2) except as provided by Subdivision (1) of this subsection and subject to Subsection (b-2) of this section, hired or rehired as a firefighter on or after the year 2017 effective date, at the age at which the member attains 20 years of service [~~when the sum of the member's age in years and the member's years of participation in the fund equals at least 70~~].

SECTION 1.05. Sections 5(a), (b), (b-1), (c), (d), (l), and (m), Article 6243e.2(1), Revised Statutes, are amended to read as follows:

(a) A member who is eligible to receive a service pension under Section 4 [~~4(a)(1)~~] of this article and who remains in active

1 service may elect to participate in the deferred retirement option
 2 plan provided by this section. ~~[A member who is eligible to receive~~
 3 ~~a service pension under Section 4(a)(2) of this article may not~~
 4 ~~elect to participate in the deferred retirement option plan~~
 5 ~~provided by this section.]~~ On subsequently terminating active
 6 service, a member who elected the DROP may apply for a monthly
 7 service pension under Section 4 of this article, except that the
 8 effective date of the member's election to participate in the DROP
 9 will be considered the member's retirement date for determining the
 10 amount of the member's monthly service pension. The member may also
 11 apply for any DROP benefit provided under this section on
 12 terminating active service. An election to participate in the
 13 DROP, once approved by the board, is irrevocable.

14 (b) A member may elect to participate in the DROP by
 15 complying with the election process established by the board. The
 16 member's election may be made at any time beginning on the date the
 17 member has completed 20 years of participation in the fund and is
 18 otherwise eligible for a service pension under Section 4 ~~[4(a)(1)]~~
 19 of this article. Beginning on the first day of the month following
 20 the month in which the member makes an election to participate in
 21 the DROP, subject to board approval, and ending on the year 2017
 22 effective date, amounts equal to the deductions made from the
 23 member's salary under Section 13(c) of this article shall be
 24 credited to the member's DROP account. Beginning after the year
 25 2017 effective date, amounts equal to the deductions made from the
 26 member's salary under Section 13(c) of this article may not be
 27 credited to the member's DROP account.

1 (b-1) On or after the year 2017 effective date, an active
2 member may not participate in the DROP for more than 20 [~~13~~] years.
3 If a DROP participant remains in active service after the 20th
4 [~~13th~~] anniversary of the effective date of the member's DROP
5 election:

6 (1) subsequent deductions from the member's salary
7 under Section 13(c) of this article, except for unused leave pay,
8 may not be credited to the member's DROP account; and

9 (2) the account shall continue to be credited with
10 earnings in accordance with Subsection (d) of this section.

11 (c) After a member's DROP election becomes effective, an
12 amount equal to the monthly service pension the member would have
13 received under Section 4 of this article, if applicable, had the
14 member terminated active service on the effective date of the
15 member's DROP election shall be credited to a DROP account
16 maintained for the member. That monthly credit to the member's DROP
17 account shall continue until the earlier of the date the member
18 terminates active service or the 20th [~~13th~~] anniversary of the
19 date of the first credit to the member's DROP account.

20 (d) A member's DROP account shall be credited with earnings
21 at an annual rate equal to 70 [~~65~~] percent of the [~~compounded~~]
22 average annual return earned by the fund over the five years
23 preceding, but not including, the year during which the credit is
24 given. Notwithstanding the preceding, however, the credit to the
25 member's DROP account shall be at an annual rate of not less than
26 2.5 percent, irrespective of actual earnings.

27 (1) A member who participates in the DROP is ineligible for

1 disability benefits described by Section 6 of this article, except
2 that a member with less than 13 years of DROP participation is
3 eligible for the benefits described by Section 6(c). If a member
4 who has a disability described by Section 6(c) of this article is a
5 DROP participant with less than 13 years of DROP participation, the
6 disability benefit provided by Section 6(c)(1) shall be paid to the
7 member, as a monthly pension benefit, in addition to payments from
8 the DROP account balance. If a member who dies under the conditions
9 described by Section 7(c) of this article is a DROP participant at
10 the time of death or disability resulting in death, the benefit
11 provided by Section 7(c) shall be paid to the member's eligible
12 survivors, as a monthly pension benefit, in addition to payments
13 from the DROP account balance.

14 (m) A DROP participant with a break in service may receive
15 service credit within DROP for days worked after the regular
16 expiration of the maximum DROP participation period prescribed by
17 this section. The service credit shall be limited to the number of
18 days in which the participant experienced a break in service or the
19 number of days required to constitute 20 ~~[13]~~ years of DROP
20 participation, whichever is smaller. A retired member who
21 previously participated in the DROP and who returns to active
22 service is subject to the terms of this section in effect at the
23 time of the member's return to active service.

24 SECTION 1.06. Sections 8(a) and (c), Article 6243e.2(1),
25 Revised Statutes, are amended to read as follows:

26 (a) A ~~[On or after the year 2017 effective date, a]~~ member
27 who ~~[is hired as a firefighter before the year 2017 effective date,~~

1 ~~including a member who was hired before the year 2017 effective date~~
 2 ~~and who involuntarily separated from service but has been~~
 3 ~~retroactively reinstated in accordance with an arbitration, civil~~
 4 ~~service, or court ruling,~~] terminates active service for any reason
 5 other than death with at least 10 years of participation, but less
 6 than 20 years of participation, is entitled to a monthly deferred
 7 pension benefit, beginning at age 50, in an amount equal to 1.7
 8 percent of the member's average monthly salary multiplied by the
 9 amount of the member's years of participation.

10 (c) A ~~[Except as provided by Subsection (a) of this section,~~
 11 ~~a member who is hired or rehired as a firefighter on or after the~~
 12 ~~year 2017 effective date or a]~~ member who terminates active service
 13 ~~[employment]~~ for any reason other than death before the member has
 14 completed 10 years of participation is entitled only to a refund of
 15 the member's contributions without interest and is not entitled to
 16 a deferred pension benefit under this section or to any other
 17 benefit under this article. The member's refund shall be paid as
 18 soon as administratively practicable after the effective date of
 19 the member's termination of active service.

20 SECTION 1.07. Sections 1(13-e) and 4(a), Article
 21 6243e.2(1), Revised Statutes, as amended by this Act, apply to a
 22 member who retires on or after the effective date of this Act.

23 SECTION 1.08. Section 5, Article 6243e.2(1), Revised
 24 Statutes, as amended by this Act, applies to a member who
 25 participates in the deferred retirement option plan on or after the
 26 effective date of this Act regardless of whether the member began
 27 participation in the plan before, on, or after the effective date of

1 this Act.

2 SECTION 1.09. Section 8, Article 6243e.2(1), Revised
3 Statutes, as amended by this Act, applies to a member who terminates
4 active service on or after the effective date of this Act.

5 ARTICLE 2. POLICE OFFICERS' PENSION SYSTEM

6 SECTION 2.01. Section 2(14-c), Article 6243g-4, Revised
7 Statutes, is amended to read as follows:

8 (14-c) "Normal retirement age" means:

9 (A) ~~[for a member hired before October 9, 2004,~~
10 ~~including a member hired before October 9, 2004, who involuntarily~~
11 ~~separated from service but was retroactively reinstated under an~~
12 ~~arbitration, civil service, or court ruling after October 9, 2004,~~
13 ~~the earlier of:~~

14 ~~[(i)]~~ the age at which a ~~[the]~~ member
15 attains 20 years of service; or

16 (B) ~~[(ii)]~~ the age at which the member first
17 attains both the age of at least 60 and at least 10 years of service
18 ~~[, or~~

19 ~~[(B) except as provided by Paragraph (A) of this~~
20 ~~subdivision, for a member hired or rehired on or after October 9,~~
21 ~~2004, the age at which the sum of the member's age in years and years~~
22 ~~of service equals at least 70].~~

23 SECTION 2.02. Section 12(a), Article 6243g-4, Revised
24 Statutes, is amended to read as follows:

25 (a) A member who separates from service after at least 20
26 years of participation in the system ~~[attaining normal retirement~~
27 ~~age]~~ is eligible to receive a monthly service pension, beginning in

1 the month of separation from service. [~~A member who separates from~~
2 ~~service as a classified police officer with the city after November~~
3 ~~23, 1998, after earning 10 or more but less than 20 years of service~~
4 ~~in the pension system and who complies with all applicable~~
5 ~~requirements of Section 19 of this article is eligible to receive a~~
6 ~~monthly service pension, beginning in the month the individual~~
7 ~~attains normal retirement age.~~] An individual may not receive a
8 pension under this article while still an active member. All
9 service pensions end with the month in which the retired member
10 dies. The city shall supply all personnel, financial, and payroll
11 records necessary to establish the member's eligibility for a
12 benefit, the member's credited service, and the amount of the
13 benefit. The city must provide those records in the format
14 specified by the pension system.

15 SECTION 2.03. Sections 14(b) and (e), Article 6243g-4,
16 Revised Statutes, are amended to read as follows:

17 (b) An active member who [~~was hired before October 9, 2004,~~
18 ~~including a member hired before October 9, 2004, who has been~~
19 ~~reinstated under arbitration, civil service, or a court ruling~~
20 ~~after that date, and]~~ has at least 20 years of service with the
21 police department may file with the pension system an election to
22 participate in DROP and receive a DROP benefit instead of the
23 standard form of pension provided by this article as of the date the
24 active member attained 20 years of service. The election may be
25 made, under procedures established by the board, by an eligible
26 active member who has attained the required years of service. A
27 DROP election that is made and accepted by the board may not be

1 revoked.

2 (e) As of the end of each month an amount is credited to each
3 active member's notional DROP account at the rate of one-twelfth of
4 a hypothetical earnings rate on amounts in the account. The
5 hypothetical earnings rate is determined for each calendar year
6 based on the [~~compounded~~] average of the aggregate annual rate of
7 return on investments of the pension system for the five
8 consecutive fiscal years ending June 30 preceding the calendar year
9 to which the earnings rate applies, multiplied by 70 [~~65~~] percent.
10 The hypothetical earnings rate may not be less than 2.5 percent.

11 SECTION 2.04. Sections 2(14-c) and 12(a), Article 6243g-4,
12 Revised Statutes, as amended by this Act, apply to a member who
13 retires on or after the effective date of this Act.

14 SECTION 2.05. Section 14(e), Article 6243g-4, Revised
15 Statutes, as amended by this Act, applies to a member who
16 participates in the deferred retirement option plan on or after the
17 effective date of this Act regardless of whether the member began
18 participation in the plan before, on, or after the effective date of
19 this Act.

20 ARTICLE 3. EFFECTIVE DATE

21 SECTION 3.01. This Act takes effect January 1, 2024.