

## **BILL ANALYSIS**

Senate Research Center

H.B. 2688  
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Finance  
5/20/2025  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The Houston Firefighters' Relief and Retirement Fund observed that the City of Houston is experiencing issues retaining senior firefighters and having trouble recruiting new firefighters due to inadequate pension benefits. H.B. 2688 seeks to help the City of Houston recruit and retain firefighters by making a variety of changes to provisions governing the operation of the fund, including provisions relating to the normal retirement age, deferred retirement option plan, eligibility and participation.

H.B. 2688 amends current law relating to the firefighters' relief and retirement fund of certain municipalities.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends the heading to Article 6243e.2(1), Revised Statutes, to read as follows:

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

SECTION 2. Amends Section 1, Article 6243e.2(1), Revised Statutes, by adding Subdivision (10-a-1) to define "entry age normal actuarial cost method" and amending Subdivisions (13-e) and (15-f) to redefine "normal retirement age" and "PROP account."

SECTION 3. Amends Sections 2(a) and (h-2), Article 6243e.2(1), Revised Statutes, as follows:

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

(h-2) Provides that, except to the extent the final action of a pension benefits committee is authorized to be appealed to the board of trustees of a fund (board), the final action of the pension benefits committee on an application for benefits constitutes the final action of the board, rather than the final action of the board including for purposes of filing an appeal to a district court under Section 12 (Appeals of Benefit Decisions) of Article 6243e.2(1) (Firefighters' Relief and Retirement Fund in Municipalities of at Least 1,600,000).

SECTION 4. Amends Section 3A(b), Article 6243e.2(1), Revised Statutes, as follows:

(b) Deletes existing text prohibiting a municipality in this state with a population of more than 2 million (municipality) and the board, in a written agreement entered into between the parties under Section 3A (Certain Alterations by Local Agreement), from performing certain actions, including altering Sections 13A (Municipal Contributions) through 13F (Municipal Contribution Rate Equal to or Greater Than Corridor Midpoint; Authorization

for Certain Adjustments) of this article, except and only to the extent necessary to comply with federal law. Makes nonsubstantive changes.

SECTION 5. Amends Section 4(a), Article 6243e.2(1), Revised Statutes, as follows:

(a) Provides that a member who terminates active service for any reason other than death is entitled to receive a service pension provided by Section 4 (Service Pension Benefits) 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) (relating to prohibiting a member of the fund's (member) monthly service pension from exceeding 80 percent of the member's average monthly salary) 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, rather than 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 6. Amends Section 5, Article 6243e.2(1), Revised Statutes, by amending Subsections (a), (a-1), (b), and (d) and adding Subsections (a-2) and (a-3), as follows:

(a) Authorizes a member who is eligible to receive a service pension under Section 4 of this article, rather than Section 4(a)(1) (relating to providing that a member who terminates active service for any reason other than death is entitled to certain benefits if the member was hired as a firefighter before the year 2017 effective date) of this article, and who remains in active service to elect to participate in the deferred retirement option plan provided by this section. Deletes existing text prohibiting a member who is eligible to receive a service pension under Section 4(a)(2) (relating to providing that a member who terminates active service for any reason other than death is entitled to certain benefits if the member was hired or rehired as a firefighter by a certain date) of this article from electing to participate in the deferred retirement option plan provided by Section 5 (Deferred Retirement Option Plan).

(a-1) Creates an exception under Subsection (a-3).

(a-2) Provides that, except as provided by Subsection (a-3) of this section, the monthly benefit of a deferred retirement option plan (DROP) participant who had less than 20 years of participation on the year 2017 effective date is increased at retirement by one percent of the amount of the member's original benefit for every full year of participation in the DROP by the member for up to 10 years of participation in the DROP. Requires the member, for the member's final year of participation, but not beyond the member's 10th year in the DROP, if a full year of participation is not completed, to receive a prorated increase of 0.083 percent of the member's original benefit for each month of participation in that year.

(a-3) Creates this subsection from existing text. Provides that an increase provided by Subsection (a-1) (relating to authorizing a member who is eligible to receive a service pension and who remains in active service to elect to participate in DROP) or (a-2) of this section, rather than this subsection, does not apply to benefits payable under Subsection (l) (authorizes the board by rule or policy to limit the number of distribution transactions for all post-retirement option plan (PROP) participants for any category of PROP participants) of this section. Provides that an increase under each of those subsections is applied to the member's benefit at retirement and is not added to the member's DROP account. Prohibits the total increase under Subsection (a-1) of this section from exceeding 20 percent for 10 years of participation in the DROP by the member or Subsection (a-2)

of this section is prohibited from exceeding 10 percent for 10 years of participation in the DROP by the member. Makes conforming and nonsubstantive changes.

(b) Makes a conforming change to this subsection.

(d) Requires a member's DROP account to be credited with earnings at an annual rate equal to 75, rather than 65, percent of the compounded average annual return earned by the fund over the five years preceding, but not including, the year during which the credit is given.

SECTION 7. Amends Sections 8(a) and (c), Article 6243e.2(1), Revised Statutes, as follows:

(a) Deletes existing text providing that, on or after the year 2017 effective date, a member who is 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, terminates active service for any reason other than death with at least 10 years of participation, but less than 20 years of participation, is entitled to a monthly deferred pension benefit, beginning at age 50, in an amount equal to 1.7 percent of the member's average monthly salary multiplied by the amount of the member's years of participation. Makes a nonsubstantive change.

(c) Provides that a member who terminates active services for any reason other than death before the member has completed 10 years of participation is entitled only to a refund of the member's contributions without interest and is not entitled to a deferred pension benefit under Section 8 (Deferred Pension at Age 50; Refund of Contributions) or to any other benefit under this article. Deletes existing text providing that, except as provided by Subsection (a) of this section, a member who is hired or rehired as a firefighter on or after the year 2017 effective date or a member who terminates employment for any reason other than death before the member has completed 10 years of participation is entitled only to a refund of the member's contributions without interest and is not entitled to a deferred pension benefit under this section or to any other benefit under this article.

SECTION 8. Amends Section 11(d), Article 6243e.2(1), Revised Statutes, as follows:

(d) Requires that, except for certain military service, credit for prior service be given only if a member returns to active service as a firefighter before the 10th, rather than the fifth, anniversary of a previous effective date of termination.

SECTION 9. Amends Section 13B, Article 6243e.2(1), Revised Statutes, by amending Subsection (a) and adding Subsection (a-1), as follows:

(a) Requires that a risk sharing valuation study:

(1)-(5) makes no changes to these subdivisions;

(6) subject to Subsection (g) (relating to requiring that the assumptions and methods used to prepare the initial risk sharing valuation study be used to prepare each subsequent risk sharing valuation study) of Section 13B (Risk Sharing Valuation Studies), be based on the following assumptions and methods that are consistent with actuarial standards of practice:

(A) an entry age, rather than an ultimate entry age, normal actuarial cost method;

(B)-(D) makes no changes to these paragraphs;

(E) except as provided by Subsection (a-1) of this section, each liability loss layer amortized over a period of 15, rather than 30, years from the first day of the fiscal year beginning 12 months after the date of the risk

sharing valuation study in which the liability loss layer is first recognized, rather than is first recognized except that the legacy liability is required to be amortized from July 1, 2016, for a 30-year period beginning July 1, 2017;

(F) the amortization period for each liability gain layer being;

(i) makes no changes to this subparagraph; and

(ii) if there is no liability loss layer, a period of 15, rather than 30, years from the first day of the fiscal year beginning 12 months after the date of the risk sharing valuation study in which the liability gain layer is first recognized;

(G)-(K) makes no changes to these paragraphs; and

(7) makes no changes this subdivision.

(a-1) Authorizes the board and municipality, with respect to any liability loss layer with a payoff year that was accelerated under Section 13E(c)(4) (relating to requiring that certain adjustments be applied sequentially to the extent required to increase the estimated municipal contribution rate to equal the minimum contribution rate, including accelerating the payoff year of the existing liability loss layers to a certain amortization period) of this article, to at any time enter into a written agreement to extend the payoff year of the liability loss layer to a payoff year that is not later than 15 years from the first day of the fiscal year beginning 12 months after the date of the risk sharing valuation study in which the liability loss layer is first recognized.

SECTION 10. Amends Section 13C(g), Article 6243e.2(1), Revised Statutes, as follows:

(g) Authorizes the municipality and the board to agree on a written transition plan for resetting the corridor midpoint:

(1) if at any time the funded ratio is equal to or greater than 100 percent;

(2) for any fiscal year after the payoff year of the legacy liability; or

(3) on a one-time basis other than a time described by Subdivision (1) or (2) of this subsection.

Makes nonsubstantive changes to this subsection.

SECTION 11. Amends Sections 13E(b) and (c), Article 6243e.2(1), Revised Statutes, as follows:

(b) Provides that, if the funded ratio is:

(1) makes no changes to this subdivision;

(2) equal to or greater than 90 percent and the municipal contribution rate is:

(A) makes no changes to this paragraph; and

(B) except as provided by Subsection (e) (relating to requiring the board to reduce member contributions and implement or increase cost-of-living adjustments if certain conditions exist) of Section 13E (Municipal Contribution Rate When Estimated Municipal Contribution Rate Lower than Corridor Midpoint; Authorization for Certain Adjustments), less than the minimum contribution rate for the corresponding fiscal year, the municipal contribution rate for the fiscal year equals the minimum

contribution rate, rather than the minimum contribution rate, achieved in accordance with Subsection (c) of this section.

(c) Authorizes certain adjustments, for purposes of Subsection (b)(2)(B) of this section, by written agreement between the municipality and board entered into not later than the April 30 before the first day of the next fiscal year, to be applied sequentially to increase the estimated municipal contribution rate to equal the minimum contribution rate.

Deletes existing text requiring that certain adjustments, for purposes of Subsection (b)(2)(B) of this section, be applied sequentially to the extent required to increase the estimated municipal contribution rate to equal the minimum contribution rate, including under a written agreement between the municipality and the board entered into not later than April 30 before the first day of the next fiscal year, reduce the assumed rate of return, and under a written agreement between the municipality and the board entered into not later than April 30 before the first day of the next fiscal year, prospectively restore all or part of any benefit reductions or reduce increased employee contributions, in each case made after the year 2017 effective date.

SECTION 12. Repealer: Section 5A(o) (relating to providing that on or after the year 2017 effective date, certain conditions apply to certain persons including PROP participants), Article 6243e.2(1), Revised Statutes.

Repealer: Section 12 (Appeals of Benefit Decisions), Article 6243e.2(1), Revised Statutes.

Repealer: Section 13G(a) (relating to providing that nothing in this article is authorized to alter or change certain sections of this article), Article 6243e.2(1), Revised Statutes.

SECTION 13. Makes application of Sections 1(13-e) and 4, Article 6243e.2(1), revised Statutes, as amended by this Act, prospective.

SECTION 14. Provides that Section 5, Article 6243e.2(1), Revised Statutes, as amended by this Act, applies to a member who participates in the deferred retirement option plan on or after the effective date of this Act regardless of whether the member began participation in the plan before, on, or after the effective date of this Act.

SECTION 15. (a) Provides that Section 13B, Article 6243e.2(1), Revised Statutes, as amended by this Act, applies only to a risk sharing valuation study conducted under that section after June 30, 2026.

(b) Requires that, for purposes of this section and Section 13B(a)(6)(E), Article 6243e.2(1), Revised Statutes, all existing liability loss layers be re-amortized over a period of 15 years.

(c) Requires that, for purposes of this section and Section 13B(a)(6)(F)(ii), Article 6243e.2(1), Revised Statutes, effective on the first day of the fiscal year beginning 12 months after the date of the first risk sharing valuation study conducted after June 30, 2026, all existing liability gain layers be re-amortized over a period of 15 years.

SECTION 16. Effective date: September 1, 2025.