

BILL ANALYSIS

Senate Research Center
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H.B. 3594
By: Lujan et al. (Menéndez)
Finance
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

During the 75th Regular Session, the Texas Legislature created the Fire and Police Retiree Health Care Fund (fund) of San Antonio to provide health benefits to retired police officers, firefighters, and their eligible dependents. However, the system has not kept pace with the evolving needs of today's public safety workforce and includes outdated provisions and administrative limitations that place undue burdens on retirees, especially regarding post-retirement contributions and spousal benefits.

H.B. 3594 seeks to address these issues that have created administrative burdens and inequities that affect the fund's sustainability while preserving the fund's long-term viability by making targeted statutory changes to improve the fairness, flexibility, and administrative function of the fund and by bringing the fund's governing statute into alignment with federal law.

H.B. 3594 amends current law relating to the administration of a retirement health care plan for firefighters and police officers in 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 Section 1.02, Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), by amending Subdivisions (3), (8), and (8-a), to redefine "beneficiary," "retiree," and "retiree health plan," and adding Subdivisions (4-a) and (6-b-1) to define "default rate" and "months of service."

SECTION 2. Amends Section 1.05, Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), as follows:

Sec. 1.05. EXEMPTIONS. (a) Creates this subsection from existing text and makes no further changes.

(b) Provides that firefighter's and police officer's retiree health care fund (fund) assets are exempt from attachment, execution, alienation, and forced sale. Prohibits a judgment lien or abstract of judgment from being filed or perfected against the fund on fund assets. Provides that a judgment lien or abstract of judgment filed against the fund on fund assets is void.

SECTION 3. Amends Article 1, Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), by adding Section 1.06, as follows:

Sec. 1.06. CONSTRUCTION OF ACT. Provides that this Act does not provide any benefit that is not specifically provided by this Act.

SECTION 4. Amends Sections 2.01(a) and (c), Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), as follows:

(a) Provides that the fund is governed by a board of trustees (board) consisting of nine trustees, including the mayor of the municipality to which this Act applies or the mayor's designee and two members of the governing body of the municipality to which this Act applies, appointed by that governing body. Deletes existing text providing that the fund is governed by a board consisting of nine members, including two members of the municipal governing body appointed by that governing body.

(c) Provides that the fund is independent of the control of the municipality to which this Act applies.

SECTION 5. Amends Sections 2.02(b), (c), and (d), Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), as follows:

(b) Provides that the two members of the governing body of the municipality to which this Act applies serve on the board for the term of the office to which they were elected or appointed, provided that the term of the member on the board expires on the day the member ceases to be a member of the governing body for any reason. Makes a conforming change.

(c) Provides that the two members of the board, rather than the fund, who are firefighters below the rank of fire chief serve on the board for staggered four-year terms, with one member's term expiring every two years.

(d) Provides that the two members of the board, rather than the fund, who are police officers below the rank of police chief serve on the board for staggered four-year terms, with one member's term expiring every two years.

SECTION 6. Amends Section 2.04(b), Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), to delete existing text providing that an officer of the board (officer) is authorized to be, but is not required to be, a trustee.

SECTION 7. Amends Section 3.01(a), Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), to provide that the board has complete authority and power to perform certain actions, including disbursing benefits or otherwise ordering payments from the fund.

SECTION 8. Amends Section 4.02, Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), by amending Subsections (c), (d), and (e) and adding Subsections (d-1), (d-2), (d-3), and (d-4), as follows:

(c) Requires a service retiree or disability retiree who retired or retires with less than 360 months, rather than 30 years, of service, or the retiree's surviving spouse in the case of a deceased retiree, subject to Subsection (d-2) or (e) of Section 4.02 (Member and Beneficiary Contributions), to be eligible for health benefits under Section 5.01 (Retirement Health Benefits) of this Act, to continue to make monthly contributions in accordance with Subsections (d) and (d-1) of this section to the fund after the date of the retiree's retirement for the lesser of the period in full months preceding the date the retiree becomes or would have become eligible for federal Medicare coverage or the period equal to 360 months, rather than 30 years less the retiree's months, rather than years, of service achieved on the date of the retiree's retirement. Makes nonsubstantive changes.

(d) Provides that the monthly contribution amount required under Subsection (c) of this section applicable to a fiscal year equals an amount obtained by certain formulas. Deletes existing text requiring that the fund deduct the contribution required under Subsection (c) of this section from the monthly retirement benefit payment or death benefit payment paid to each retiree or retiree's spouse required to make the contributions, excluding payments made by the pension fund under Section 6.12 of the pension act. Deletes existing text requiring that the fund deduct an amount equal to the retiree contribution amount applicable to the fiscal year in which the benefit payment occurs. Deletes existing

text providing that the retiree contribution amount applicable to a fiscal year equals the amount obtained by certain formulas.

(d-1) Requires that monthly contributions under Subsection (c) of this section be made on or before the last day of each month during the period the contributions are required to be made, beginning on the first month immediately following the month in which the retiree retires. Requires that any required contribution that is not made to the fund on or before the due date bear interest at the default rate in effect on the first day of the month in which the contribution is due until the contribution is paid.

(d-2) Authorizes a retiree, or the retiree's surviving spouse in the case of a deceased retiree, instead of the monthly contributions required under Subsection (c) of this section, to elect to pay to the fund a lump-sum payment equal to the monthly retiree contribution amount under Subsection (d) of this section in effect on the date of the retiree's retirement multiplied by the lesser of the number of full months in the period beginning on the retiree's date of retirement and ending on the date the retiree will attain or would have attained 65 years of age or the number of full months following the date of the retiree's retirement which, when added to the retiree's months of service as of the date of retirement, equals 360 months or, if subject to Subsection (e) of this section, 120 months.

(d-3) Provides that an election under Subsection (d-2) of this section is required to be in writing and made in the form and manner prescribed by the board and made before making a lump-sum payment under that subsection and is irrevocable.

(d-4) Requires that a lump-sum payment to the fund under Subsection (d-2) of this section be made in full on or before the 30th day after the date of the retiree's retirement and is not partially or wholly refundable.

(e) Provides that a retiree who retired under the pension act as a result of a disability, or the disability retiree's surviving spouse in the case of a deceased disability retiree, is not required to make contributions under Subsection (c) of this section for more than 120 months, rather than 10 years, following the date of the disability retiree's retirement.

SECTION 9. Amends Section 4.022, Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), by adding Subsection (d), as follows:

(d) Provides that the increases in maximum deductibles and maximum out-of-pocket payments required under Subsection (a)(2) (relating to requiring the board to increase the maximum deductibles and maximum out-of-pocket payments for each individual and family in certain circumstances) of Section 4.022 (Mandatory Adjustments to Retiree Health Plan Contributions, Out-Of-Pocket Payments, and Deductibles) are in addition to the increases required under Section 5.01 of this Act.

SECTION 10. Amends Sections 4.023(a), (b), (c), (d), and (f), Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), as follows:

(a) Prohibits a member of the fund who enters any uniformed service of the United States from performing certain actions, including being required to make the contributions as required by Section 4.02(a) (relating to requiring that a certain amount is deducted from each member's compensation and contributed to the fund) of this Act, rather than the monthly payments into the fund as required by this Act, while the member is engaged in active service with the uniformed service.

(b) Authorizes a member to establish credit for service not established during the period the member was in active service with the uniformed service by paying into the fund an amount equal to the amount the member would have paid during that period if the member had remained on active status in the fire or police department. Deletes existing text requiring the member, not later than the 90th day after the date of the member's reinstatement to an active status in a fire or police department, to file with the secretary of the board a written statement of

intent to pay into the fund an amount equal to the amount the member would have paid if the member had remained on active status in the department during the period of the member's absence while in the uniformed service.

(c) Requires the member to make the payment described by Subsection (b) of Section 4.023 (Uniformed Service) in full within a period after the member's return to active status in the fire or police department that is equal to three times the amount of time the member was engaged in active service with the uniformed service, rather than the amount of time the member was absent, except that the maximum period for payment is prohibited from exceeding five years.

(d)-(f) Makes conforming changes to these subsections.

SECTION 11. Amends Article 4, Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), by adding Sections 4.024 and 4.025, as follows:

Sec. 4.024. FAMILY AND MEDICAL LEAVE. (a) Authorizes a member, if that member takes unpaid leave as provided by the Family and Medical Leave Act of 1993 (29 U.S.C. Section 2601 et seq.), to elect to establish credit for the leave by making voluntary member contributions to the fund for the entire period the member is on leave in an amount equal to the amount the member would have paid had the member not taken the leave. Requires that the contributions be paid to the fund not later than the 30th day after the date the member returns from that leave.

(b) Provides that the fund, if a member elects to make voluntary member contributions under Subsection (a) of this section, is required to notify the municipality and the municipality is required to make payment to the fund in an amount equal to the total municipal contribution amount the municipality would have paid if the member had not taken the leave, and that payment is required to be made not later than the 60th day after the date the member returns from leave.

(c) Prohibits a member, if the member does not make the member contributions required within the time prescribed under Subsection (a) of this section, from receiving credit toward the member's months of service for the period the member was on unpaid leave.

Sec. 4.025. MEMBERS WHO ARE MARRIED: CONDITIONAL WAIVER OF ELIGIBILITY. (a) Provides that, if spouses are formally married to each other under Chapter 2 (The Marriage Relationship), Family Code, and are both members of the fund, on the retirement under the pension act of the first of the couple to retire, that retiree is authorized, not later than the 30th day after the retiree's retirement date, to elect to conditionally waive eligibility for health and medical benefits under this Act by submitting to the fund written confirmation of that election in the form and manner prescribed by the board.

(b) Provides that, subject to Subsection (c) of this section, a retiree who conditionally waives eligibility under Subsection (a) of this section is not required to make contributions to the fund under Section 4.02(c) of this Act following the date the election under Subsection (a) of this section is submitted to and accepted by the fund.

(c) Authorizes a retiree who has conditionally waived eligibility for benefits under Subsection (a) of this section, if the marriage of the retiree is dissolved, not later than the 30th day after the date of the dissolution of the marriage, to elect to reinstate eligibility for health and medical benefits under this Act by submitting to the fund written confirmation of the election in the form and manner prescribed by the board.

(d) Provides that a retiree who makes an election to reinstate eligibility for health and medical benefits under Subsection (c) of this section is only eligible for those benefits if the retiree makes the monthly contributions required under Section 4.02(c) of this Act in the amount applicable under Section 4.02(d) of this Act in the fiscal year in which the contribution is made. Provides that the initial contribution is due on the last day of the month immediately following the month in which the election is submitted to and accepted by the fund.

SECTION 12. Amends Section 5.01, Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), by amending Subsections (d) and (e) and adding Subsections (d-1), (i), (j), (k), and (l), as follows:

(d) Creates an exception under Subsection (d-1) of this section.

(d-1) Authorizes the board to modify the retiree health plan to allow a surviving spouse of a deceased retiree to continue to be eligible for coverage under the retiree health plan after the spouse's remarriage regardless of whether that modification increases the fund's total actuarial unfunded liability.

(e) Authorizes the board to discontinue benefits under this section for any person who does not make the monthly contributions required by Section 4.02(c) or (e) of this Act, as applicable, rather than Section 4.02 of this Act within the time prescribed by Section 4.02(d-1) of this Act.

(i) Provides that increases in maximum deductibles and maximum out-of-pocket payments required under this section are in addition to the increases required under Section 4.022(a)(2) of this Act.

(j) Authorizes the board to require the payment of a premium for coverage of dependent children under the retiree health plan.

(k) Authorizes any person entitled to receive health and medical benefits under this Act to unconditionally waive their rights to receive those benefits by executing and delivering to the fund a waiver of their rights in the form and manner prescribed by the board. Provides that a person who waives their rights to receive benefits under this subsection is no longer under any circumstances entitled to receive benefits under this Act.

(l) Provides that health and medical benefits provided by the fund under this Act or which are authorized to be provided by the fund under this Act do not constitute divisible marital property.

SECTION 13. Amends Section 6.04(c), Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), to authorize the board, if the fund owns or anticipates owning real estate, rather than if the funds own real estate, at its discretion, to establish an organization described by Section 501(c)(2) or 501(c)(25), Internal Revenue Code of 1986, as amended, to hold title to the real estate.

SECTION 14. Amends Section 6.05(a), Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), as follows:

(a) Authorizes the board to authorize and direct one or more board members or officers of the fund to enter into contracts on behalf of the fund for the provision of professional services, including contracts with professional investment managers, financial consultants, independent auditors, third-party administrators, preferred providers, health maintenance organizations, attorneys, and actuaries. Provides that the board has the exclusive power to authorize the execution of the contracts and is authorized to establish a reasonable fee for compensation under the contracts.

Deletes existing text authorizing the board to contract for professional investment management services, financial consultants, independent auditors, third-party

administrators, preferred providers, health maintenance organizations, attorneys, and actuaries. Deletes existing text providing that only the board is authorized to enter into those contracts. Deletes existing text authorizing the board to establish a reasonable fee for compensation under those contracts.

SECTION 15. Amends Section 7.01(b), Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), as follows:

(b) Requires the board, to implement Subsection (a) (relating to prohibiting a trustee, the executive director of the fund (executive director) or any employee of the fund from performing certain actions) of Section 7.01 (Ethics Policy) and to strengthen the faith and confidence of the members and beneficiaries of the fund, to develop standards of conduct and financial disclosure requirements to be observed by each member of the board, rather than trustee, and by the executive director in the performance of the board members', rather than the board's, and executive director's official duties.

SECTION 16. Repealers: Sections 1.02(4) (relating to defining "collective bargaining agreements") and (6-a) (relating to defining "master contract document"), Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.).

Repealer: Section 1.02(10) (relating to defining "years of service"), Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.).

Repealer: Section 5.01(c) (relating to providing that the expiration date of the terms, of the termination, of the collective bargaining agreements or the master contract document has no effect on the retiree health plan or the benefits provided under this Act), Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.).

SECTION 17. Makes application of Section 4.02(d-2), Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), as added by this Act, prospective.

SECTION 18. Makes application of Section 5.01(d-1), Chapter 1332 (S.B. 1568), Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q, V.T.C.S.), as added by this Act, prospective.

SECTION 19. Effective date: October 1, 2025.