

## **BILL ANALYSIS**

C.S.H.B. 3375

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Pensions, Investments & Financial Services  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Concerns have been raised about the circumstances under which the Dallas Police and Fire Pension System allows eligible DROP participants to receive distributions in the event of a financial hardship. C.S.H.B. 3375 seeks to address these concerns by authorizing the board of trustees of Dallas Police and Fire Pension System to adopt rules that allows any person receiving an annuity from an annuitized DROP account to assign certain distribution to a third party under certain conditions and to obtain a lump-sum distribution from the person's account in the event of a financial hardship.

### **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**

C.S.H.B. 3375 amends the Revised Statutes, with respect to the Dallas Police and Fire Pension System, to authorize the board of trustees of the system to allow by rule any person receiving an annuity from an annuitized deferred retirement option plan (DROP) account to do the following rather than allowing only a DROP participant who has terminated active service and who is eligible for a retirement pension to do these things:

- assign the distribution from the person's annuitized DROP account to a third party provided the pension system receives a favorable private letter ruling from the IRS ruling that such an assignment will not negatively impact the pension system's qualified plan status; and
- in the event of a financial hardship that was not reasonably foreseeable, obtain a lump-sum distribution from the person's DROP account resulting in a corresponding reduction in the total number or in the amount of annuity payments.

### **EFFECTIVE DATE**

September 1, 2021.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 3375 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute, in provisions the original also amends, authorizes the board of trustees of the system to allow by rule any person receiving an annuity from an annuitized DROP account to make certain assignments, with conditions, from the account to a third party and to obtain, in the event of a financial hardship that was not reasonably foreseeable, a lump-sum distribution from the account. In contrast, the original mandated the adoption of board rules that would allow only a DROP participant who has terminated active service and who is eligible for a pension to make those assignments but that would also allow an eligible surviving spouse or other beneficiary to obtain a lump-sum distribution for an emergency as well as for a financial hardship.

The substitute does not include the original's provisions removing the prohibition against a member receiving a distribution from the member's DROP account while the member is on active service and authorizing a member to receive instead the balance of the DROP account while on active service under a method specified by the original. The substitute does not include the original's conforming amendments or applicability provision nor does it include provisions regarding active service terminated on or before September 1, 2017.