

BILL ANALYSIS

Senate Research Center
76R5875 GJH-F

S.B. 1541
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Intergovernmental Relations
4/13/1999
As Filed

DIGEST

Currently, the Houston Municipal Employees Pension System is regulated by Article 6243g, V.T.C.S. This bill would revise the administration of, benefits from, and participation in the Houston Municipal Employees Pension System

PURPOSE

As proposed, S.B. 1541 revises the administration of, benefits from, and participation in the Houston Municipal Employees Pension System.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2, Article 6243g, V.T.C.S., by amending Subdivisions (b), (f), (g), (j), and (l) and adding Subdivisions (m) and (n), to redefine “member,” “separation from service,” “employee,” “previous service,” and “pension fund.” Defines “effective retirement date” and “military service.”

SECTION 2. Amends Section 3, Article 6243g, V.T.C.S., to provide that a person who becomes an employee on or after September 1, 1999, becomes a Group A member of the Houston Municipal Employees Pension System (system) as a condition of employment except as otherwise provided by this section or Section 4 of this Act. Requires any person who becomes an employee after September 1, 1981, and before September 1, 1999 to automatically become a Group B member of the system as a condition of the person’s employment. Provides that an elected official who is first elected on or after September 1, 1999, becomes a Group A member and is entitled to receive credit for all previous service on the same conditions as reemployed Group A members, except as otherwise provided under this Act. Deletes text providing that the disability and benefit provisions of Sections 11 through 16 of this Act shall apply to Group A members. Makes conforming and nonsubstantive changes.

SECTION 3. Amends Section 3A(a), Article 6243g, V.T.C.S., to make a conforming change.

SECTION 4. Amends Section 3B(a), Article 6243g, V.T.C.S., to authorize, rather than require, each member of the system as an employee or elected official of a city to which this Act applies to make a one time, irrevocable election on a certain date to change membership from Group B to Group A and comply with the requirements of Subsection (b). Deletes text requiring each system member to retain membership in the group the member is currently in or change membership from Group A to Group B and receive a refund of contributions, without interest.

SECTION 5. Amends Section 5, Article 6243g, V.T.C.S., by amending Subsections (b), (d), and (h) and adding Subsections (m), (n), and (o), to require the Municipal Pension Board (board) to be partially composed of three legally qualified taxpayers of the city, who have been residents of the county in which the city is located for five years, to be appointed by the elected members of the board, rather than the governing body of the city, being neither retirees, employees, nor officers of such city. Provides that a member who is appointed to fill a vacancy holds office for the unexpired term of the member who vacated that position. Requires the board to elect from the elected members of the board, a chairman, vice-chairman, and secretary, in each odd-numbered year, rather than annually. Provides that any person employed by the board to serve on the administrative staff who does not have service credits with the system at the time of the person’s employment by the board is a Group A member, rather than a Group

B member. Requires the board to have the authority to institute, conduct, and maintain legal action in the name of the board on behalf of the system. Authorizes the board by resolution to make the implementation of a provision of this Act contingent on receipt of a favorable private letter ruling or favorable determination letter from the Internal Revenue Service (IRS) if the board determines that the action is in the best interest of the system. Provides that, after separation from service or retirement, a member is subject to the schedule of benefits and provisions in effect at the time of the member's separation from service, except as otherwise provided by this Act. Provides that a person receiving or eligible for a survivor benefit under this Act is subject to the schedule of benefits and provisions in effect at the time of separation from service of the deceased participant for whom the person is claiming survivor status, except as expressly provided otherwise in this Act. Deletes text requiring the three taxpayer members to serve until their successors are duly appointed and qualified. Deletes text requiring public members now on the boards of cities having established systems to continue in office until the expiration of their terms. Makes conforming and nonsubstantive changes.

SECTION 6. Amends Section 7, Article 6243g, V.T.C.S., to require each Group A member to make periodic contributions in an amount determined by the board and expressed as a percentage of salary, rather than four percent of salary. Requires such contributions to be deducted by the employer, rather than the city, from the salary of each member and paid to the system for deposit in the municipal pension fund (fund), rather than paid to the treasurer of the fund.

SECTION 7. Amends Sections 7A(a), (b) and (c), Article 6243g, V.T.C.S., to require an accounting of member contributions picked up by the employer to be maintained and requires the contributions to be treated for all other purposes as if the amount were a part of the member's salary and had been deducted as provided by SECTION 7 of this Act. Makes conforming and nonsubstantive changes.

SECTION 8. Amends Section 8(b), Article 6243g, V.T.C.S., to prohibit the city's contribution rate, when added to any contributions with respect to a qualified governmental excess benefit arrangement maintained in accordance with Section 31D of this Act, from being an amount less than the greater of 10 percent of the salaries paid to Group A members or two times the contribution rate of Group A members.

SECTION 9. Amends Section 9, Article 6243g, V.T.C.S., to authorize the board to distribute a supplemental payment to all retirees, survivors, or Deferred Retirement Option Plan (DROP) participants if certain conditions are met.

SECTION 10. Amends Sections 11(a) and (b), Article 6243g, V.T.C.S., to require certain members of the system to be eligible for a normal retirement pension. Requires the amount of the monthly pension for each Group A member to equal the member's average monthly salary multiplied by two and one-quarter percent for each month of the member's first 20 years of credited service and two and three-quarters percent for each additional month of credited service. Effective date: September 1, 1999.

SECTION 11. Amends Sections 11(a) and (b), Article 6243g, V.T.C.S., to require any member of the system who has completed five or more years of credited service and attained 62 years of age or a combination of years of age and years of credited service equal to the number 70 to be eligible for a normal retirement pension. Requires the amount of the monthly pension for each Group A member to equal the member's average monthly salary multiplied by two and one-half percent for each month of the member's first 20 years of credited service and three and one-quarter percent for each additional month of credited service. Makes conforming and nonsubstantive changes.

SECTION 12. Amends Section 11(g), Article 6243g, V.T.C.S., to require pensions for all members, rather than only Group A members, retirees, or their survivors to be adjusted annually upward by three and one-half percent, not compounded.

SECTION 13. Amends Section 12, Article 6243g, V.T.C.S., to require any member who has completed five, rather than 10, or more years of service and who becomes totally disabled for further duty to be retired for "ordinary disability" and requires the member to receive a monthly pension computed in accordance with Section 11(b) for Group A members and Section 24 for Group B members. Describes "service disability." Redefines "totally disabled." Deletes the definition of "accidental disability." Requires a person retired for disability under this Act or a person receiving survivor benefits as a disabled child under this Act to file an annual report of employment activities and earnings with the board. Requires the board to establish the form of the report and the time for filing the report. Prohibits a disability pension

recipient whose disability does not cease after the recipient reaches the date on which the recipient is eligible to retire under Section 11(A) or 65 years of age from being required to submit the annual affidavit of employment activities and earnings. Requires a person receiving survivor benefits as a disabled child under this Act to be subject to re-examination by the board and to submit to further examination as the board may require. Requires the result of an examination, physician report, or employment activities and earning report to be considered by the board in determining whether the benefits shall be continued, increased if less than the maximum provided, decreased, or discontinued. Authorizes the board to reduce, suspend, or entirely discontinue all benefits to a person receiving benefits under this Act who, after notice from the board, fails to appear for a required examination, fails to file an employment activities and earnings report, or files a materially false or misleading employment activities and earnings report or examination result or report, as determined by the board. Requires a person to be an employee or a former employee whose separation from service, other than by indefinite suspension, occurred by a certain date in order for that person to apply for a disability pension. Deletes text regarding members receiving a disability pension being required to submit a sworn affidavit stating the member's earnings. Deletes text regarding the failure to submit a sworn affidavit of earnings. Deletes text requiring the system to reclassify a disability pension as a service pension under certain conditions. Deletes text requiring the board to order pension payments stopped if a member has recovered so that in the opinion of the board he is able to perform the usual and customary duties formerly handled by him for the city, and is reinstated or tendered reinstatement to that position. Makes conforming and nonsubstantive changes.

SECTION 14. Amends Section 13, Article 6243g, V.T.C.S., to require the board to order paid monthly allowances under this section if any member shall die from any cause directly resulting from a specific incident in the performance of the person's duty. Provides that certain surviving spouses of a member who dies are entitled to a sum equal to 85 percent of the retirement benefits that the deceased member would have been entitled to had he or she been totally disabled at the time of his or her retirement or death. Provides that certain surviving spouses are entitled to 100 percent of the deceased member's final average salary. Provides that certain surviving spouses of a member who dies are entitled to a sum equal to 85 percent of the retirement benefits being received at the time of the retiree's death, if the surviving spouse married the decedent before the decedent terminated employment. Requires each dependent child, if there is a surviving spouse to receive a certain death benefit, with a proportionate reduction in the percentage of benefit payable to the surviving spouse until no benefit is payable to a dependent child. Requires each dependent child to receive a death benefit equal to 50 percent, rather than 20 percent, of what the surviving spouse benefit would have been had there been a surviving spouse to a maximum of 100 percent of the benefit, rather than 40 percent for all dependent children, if there is no surviving spouse. Requires benefits payable to each dependent child to be paid if the child is 21, rather than 18, or permanently and totally disabled because of illness, injury, or retardation that began before the death of the member and before the child reached 18 years of age. Deletes the requirement that a child must be a full time student and younger than 23 years of age and unmarried for benefits to be payable. Makes conforming and nonsubstantive changes. Effective date: September 1, 1999.

SECTION 15. Amends Section 13, Article 6243g, V.T.C.S., to provide that certain spouses are entitled to 100 percent of the retirement benefits that the deceased member would have been entitled to had he or she been totally disabled at the time of retirement or death. Provides that certain spouses are entitled to 100 percent of the deceased member's final average salary. Provides that certain spouses are entitled to 100 percent of the retirement benefits being received at the time of the retiree's death, if the surviving spouse married the decedent before the decedent terminated employment. Makes conforming and nonsubstantive changes. Effective date: August 1, 2001.

SECTION 16. Amends Section 14, Article 6243g, V.T.C.S., to prohibit a member from being paid any pension if the member's employment by the city is terminated for other than a service disability, rather than a total and permanent disability, prior to having completed five, rather than 10 years of service with the city. Makes conforming and nonsubstantive changes.

SECTION 17. Amends Section 15, Article 6243g, V.T.C.S., to delete text authorizing credit for previous service. Makes conforming and nonsubstantive changes.

SECTION 18. Amends Section 16, Article 6243g, V.T.C.S., to provide that no credit shall be allowed for the period of interruption, if there were interruptions of service of more than three months, except as otherwise expressly provided in this Act. Authorizes a member whose employment is terminated for a reason other than death or receipt of a retirement or disability pension after the completion of five years of creditable service to elect to receive a deferred retirement benefit that begins on the effective retirement

date. Requires the amount of monthly benefit to be computed in the same manner as for a service retirement benefit, but based on average monthly salary and creditable service as of the date of separation from service and subject to the provisions of this Act in effect on the date of separation from service. Requires a certain portion of certain members' pensions to be calculated on the basis of the schedule of benefits for members that was in effect at the time the member terminated employment attributable to that period of credited service, rather than when the election was made. Requires any retirement, disability, or survivor benefit payable to be computed under this subdivision for all previous periods of credited service without giving effect to Subdivision (1) of this subsection, if a member has more than two years of continuous credited service following the date of reemployment. Requires any retirement, disability, or survivor benefit payable to be computed on the basis of the schedule of benefits for members that was in effect at the time of the member's previous separation from service, if a member has two years or less of continuous credited service following the date of reemployment. Requires a retiree who is reemployed by the city and becomes a member to cease receiving a pension under this Act on reemployment. Requires benefits payable to be computed as set forth in Subsections (f)(1) and (2) of this section, on subsequent separation. Deletes text setting forth certain conditions when certain members are eligible for refunds of all eligible payments made by him to the fund by way of salary deductions. Makes conforming and nonsubstantive changes.

SECTION 19. Amends Section 20, Article 6243g, V.T.C.S., to authorize a pensioner, survivor, or dependent to deduct from his pension an amount required by law or a voluntary amount authorized by law and the board, rather than the monthly premium cost of the city's group hospitalization and life insurance plan.

SECTION 20. Amends Section 21, Article 6243g, V.T.C.S., to set forth certain situations in which a member is required to receive credited service for military service. Deletes text concerning a member who engages in active military duty and returns to employment by the city within a certain time period. Sets forth certain conditions in which any member who has military service and is not eligible to claim the service under Subsection (b) may receive credited service for the military service on proper action by the board.

SECTION 21. Amends Section 22(a), Article 6243g, V.T.C.S., to make conforming and nonsubstantive changes.

SECTION 22. Amends Section 24, Article 6243g, V.T.C.S., to require the amount of the normal pension payable to a retired Group B member to equal the member's average monthly salary multiplied by one and three-quarters percent, rather than one and one half percent, for each of the member's first 10 years of credited service, two percent, rather than one and three-quarters percent, for each 10 years, and two and one-half percent for each additional year. Effective date: August 1, 2000.

SECTION 23. Amends Section 30, Article 6243g, V.T.C.S., to make conforming and nonsubstantive changes.

SECTION 24. Amends Section 31A(a), Article 6243g, V.T.C.S., to make a nonsubstantive change.

SECTION 25. Amends Section 31B, , Article 6243g, V.T.C.S., to define "DROP entry date" and "DROP election date." Authorizes a person who is eligible to receive a normal retirement pension under this Act and who has been separated from service within the last 30 days and has not otherwise applied for a benefit to file with the system an election to participate in the DROP and receive a DROP benefit. Provides that the period of a member's DROP participation ceases when the member terminates employment. Sets forth the member's DROP entry date. Provides that an election to participate in the DROP is irrevocable, except that any active member who elected to participate in the DROP before a certain date may make a one-time revocation of an election, in a manner determined by the board. Provides that credits to a member's DROP account consist of a monthly amount equal to the member's normal accrued monthly retirement based on the member's credited service and average monthly salary as of the DROP entry date and the applicable provisions of this Act, adjusted for cost-of-living adjustments that would apply if the member's DROP entry date had been the person's date of eligibility for a normal retirement benefit. Prohibits credits from being made to a member's DROP account for a certain period, except that interest at a rate determined by the board may be paid on the remaining amount in a person's DROP account after the person terminates active service. Makes conforming and nonsubstantive changes.

SECTION 26. Amends Section 31C(e), Article 6243g, V.T.C.S., to make conforming changes.

SECTION 27. Amends Section 33, Article 6243g, V.T.C.S., to prohibit the terms of this Act from applying to any city operating a municipal employees pension program under the terms and provisions of its charter, unless a city's municipal employees are already covered by this Act.

SECTION 28. Repealers: Section 25, Article 6243g, V.T.C.S. (Disability eligibility); Section 26, Article 6243g, V.T.C.S. (Disability pension amount and duration); Section 27, Article 6243g, V.T.C.S. (Disability review); and Section 31, Article 6243g, V.T.C.S. (Postretirement adjustments).

SECTION 29. Effective date: September 1, 1999.

SECTION 30. Emergency clause.