

BILL ANALYSIS

Senate Research Center
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S.B. 820
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DIGEST AND PURPOSE

Currently, Texas law provides for a retirement and disability benefits program for firefighters. As proposed, S.B. 820 enhances the benefits available to firefighters, including authorizing an annual supplemental benefit, increasing the lump-sum benefit payable to members and to some survivors, increasing the deferred retirement option program, and allowing firefighters to participate in the proportional retirement program along with police and city employees.

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 4(d), Article 6243e.2(1), V.T.C.S., to require the total monthly benefit payable to a retired or disabled member, other than a deferred retiree or active member who has elected the DROP under Section 5(b) of this article, or payable to an, rather than each, eligible survivor of a deceased member as provided by Section 7(a) of this article, to be increased by certain amounts. Prohibits these additional benefits from being increased under Section 11(c) of this article.

SECTION 2. Amends Section 5, Article 6243e.2(1), V.T.C.S., to amend Subsections (a), (b), (c), (d), (i), and (l) and to add Subsections (p), (q), and (r), as follows:

- (a) Deletes an exception as provided by Subsection (l) of this section which allows a revocation of an election to participate in the DROP. Provides that a DROP participant's monthly benefit at retirement is increased by two percent of the amount of the member's original benefit for every full year of participation in the DROP. Provides that this increase is applied to the member's benefit at retirement and is not added to the member's DROP account. Prohibits the total increase under this subsection from exceeding 20 percent for 10 years of participation in the DROP.
- (b) Prohibits a member from participating in the DROP for more than 10 years. Provides that if a DROP participant remains in active service after the 10th, rather than seventh, anniversary of the effective date of the member's DROP election, subsequent deductions from the member's salary under Section 13(c) of this article are prohibited from being credited to the member's DROP account.
- (c) Makes a conforming change.
- (d) Makes a conforming change.
- (i) Deletes language regarding a member's election to participate in the DROP. Provides that for the purposes of computing and providing benefits under Sections 4 and 7 of this article, the day immediately before the effective date of the DROP participant's election is considered to

be the date the member terminates active service. Prohibits a salary earned or additional years of participation completed after the member's DROP election becomes effective from being considered in the computation of retirement or death benefits. Deletes text regarding disability benefits and a DROP revocation as prescribed by Subsection (l) of this section.

(l) Makes a member who participates in the DROP ineligible for disability benefits described by Section 6 of this article, except the benefits described by Section 6(c). Makes benefit payment provisions for a DROP participant who has a disability described by Section 6(c) of this article. Makes provisions for benefit payment to the eligible survivors of a DROP participant who dies under the conditions described by Section 7(c) of this article. Deletes text regarding survivor ineligibility for enhanced death benefits, disability related revocation of the DROP election, benefits and revocation of the DROP election for the survivors of a DROP participant who dies, an on-duty disability of a DROP participant, and distribution of a DROP account after a DROP election revocation.

(p) Authorizes a member participating in the DROP who was qualified to make a DROP election before the actual date of the member's election to elect to have the member's DROP account recomputed by participating in a Back-DROP. Provides that under a Back-DROP election, the member's account balance is equal to the amount that the account would have had if the member had elected to participate in the DROP on an earlier date chosen by the member. Prohibits the Back-DROP date chosen by the member from being earlier than a certain date. Provides that the member's choice of a Back-DROP date is irrevocable, except as provided by Subsection (r) of this section.

(q) Authorizes a member to revoke the member's Back-DROP election by notifying the fund in writing not later than the 10th business day after the date the member signs an application form for a Back-DROP.

(r) Authorizes a member to revoke the date chosen under a Back-DROP election and choose an earlier Back-DROP date only if: the first date the member chooses is not the earliest date permitted under Subsection (p) of this section; and the board of trustees of the firefighters' relief and retirement fund established under this article (board) determines that the member's injury or illness has caused the member to be separated from service earlier than the member anticipated.

SECTION 3. Amends Sections 10A(a)-(e), (h), and (i), Article 6243e.2(1), V.T.C.S., as follows:

(a) Requires the board to pay supplemental benefits under this section to retired members and eligible survivors who are receiving retirement or survivor benefits on June 30 of the year preceding the year in which the supplemental benefits are to be paid. Prohibits deferred retirees or survivors of deferred retirees from receiving supplemental benefits under this section. Deletes language regarding deferred retirees and requiring the board to pay supplemental benefits in January.

(b) Requires the board to pay the supplemental benefits under this section each January. Deletes language regarding the fund actuary's determination of the value and rate of return on the fund's investments and the payment of supplemental benefits.

(c) Provides that for purposes of this section, the minimum income level is the federal poverty guideline for a family of five as issued by the United States Department of Health and Human Services, rounded up to the nearest \$1,000. Deletes language requiring the board to adopt rules and procedures to govern the payment of benefits under this section.

(d) Sets the aggregate supplemental benefit amount at \$5 million. Deletes language providing a formula for the board to determine the aggregate supplemental benefit.

(e) Requires the board, based on the aggregate supplemental benefit amount under Subsection (d) of this section, to determine the amount of a lump-sum payment for each retired member or eligible survivor.

(h) Provides that the product of the computation under Subsection (g) of this section determines the lump-sum payment to the retired member or eligible survivor unless the lump-sum payment plus the annual retirement benefit is less than the minimum income level under Subsection (c), rather than established by the board.

(i) Entitles the retired member or eligible survivor, if the lump-sum payment plus the annual retirement benefit is less than the minimum income level under Subsection (c) of this section, to receive an additional payment from the amount determined under Subsection (d) of this section that will cause payments to the recipient to meet but not exceed the minimum income level. Makes a conforming change.

SECTION 4. Amends Sections 10B(a) and (b), Article 6243e.2(1), V.T.C.S., as follows:

(a) Requires the board to pay certain members, rather than people, a \$5,000, rather than \$4,000, lump-sum payment from the fund, in addition to any other benefits, as soon as administratively practicable after the date of the member's retirement. Deletes language regarding the condition that the person's retirement occurred after June 30, 1998.

(b) Requires the board to pay a \$5,000, rather than \$4,000, lump-sum payment from the fund, in addition to any other benefits, to certain eligible survivors of certain members.

SECTION 5. Amends Section 11(c), Article 6243e.2(1), V.T.C.S., to make requirements regarding the benefits payable based on the service of a member who is or would have been at least 48, rather than 50, years old, or died under the conditions described by Section 7(c) of this article.

SECTION 6. Amends Article 6243e.2(1), V.T.C.S., by adding Section 18, as follows:

Sec. 18. PROPORTIONAL RETIREMENT PROGRAM. (a) Defines "combined service credit," "participating retirement system," "program," and "service credit."

(b) Authorizes the board, if it determines that the provisions governing a participating retirement system are compatible with the provisions governing the fund under this article, to establish the program under this section.

(c) Authorizes an eligible member to use combined service credit to determine eligibility for a benefit under this article. Requires the member to have at least 20 years of combined service credit to receive a proportional retirement benefit. Provides that the member is subject to the same requirements and receives the same benefits, including enhancements, as a member who establishes retirement eligibility for the same amount of service credit without using combined service credit.

(d) Prohibits a member from: using service credit in a participating retirement system to meet the eligibility requirements for participating in a DROP under Section 5 of this article; receiving service credit in the fund for the same service for which the member receives service credit in a participating retirement system; or receiving a benefit under the program in an amount that is greater than the amount the member would have received for the same benefit without the program unless the greater amount results from a modification under Subsection (j) of this section.

(e) Provides that a person is eligible to participate in the program if the person is employed by the city, is covered by a participating retirement system, and is or has been a member of the

fund.

(f) Prohibits a member who is retired or participating in a DROP under Section 5 of this article from participating in the program. Prohibits a member from receiving a disability retirement benefit and a service retirement benefit under the program.

(g) Provides that in determining proportional retirement benefits under the program for a member who has participated in the fund for less than 20 years, the member is entitled to a monthly benefit in a certain amount.

(h) Authorizes a member who receives a disability benefit under a participating retirement system to receive a proportional disability benefit under the program as provided by Subsection (i) of this section.

(i) Provides that, in determining disability retirement benefits under the program, the member is entitled to a monthly benefit in a certain amount.

(j) Authorizes the board to modify the program only to make the program's provisions compatible with the provisions of a participating retirement system. Prohibits the board from modifying the program for the purpose of providing a new benefit to a member.

(k) Authorizes the board, if it determines that the provisions governing a participating retirement system are not compatible with the provisions governing the fund under this article, to terminate the program. Requires the board to provide written notice to the executive director of the participating retirement system before the 30th day preceding the date of the program's termination. Authorizes the board to reestablish the program at its discretion, subject to the requirements of this section.

(l) Authorizes the board to adopt rules to implement and administer this section.

SECTION 7. (a) Effective date: September 1, 2001, except as provided by Subsection (b) of this section.

(b) Provides that Section 18, Article 6243e.2(1), V.T.C.S., as added by this Act, takes effect October 1, 2001.