

BILL ANALYSIS

Senate Research Center

S.B. 1413
By: Deuell
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas Local Fire Fighters Retirement Act (TLFFRA) allows for 121 participating cities to administer their own local pension funds. These funds vary in assets from zero, or pay as you go, to \$160 million. Of the 41 paid systems, the average firefighter contribution was 12.25 percent of salary and the average city contribution was 14.57 percent of salary.

Article 6243e, V.T.C.S., was enacted by the 45th Legislature in 1937 in H.B. 258. The Firemens' Relief and Retirement Fund Act was revised in 1989 by the 71st Legislature in S.B. 390, and was re-codified as TLFFRA.

TLFFRA provides a thorough explanation of what is required of municipal boards in providing their member retirement benefits. The Act mandated that a firefighter's retirement system and trust fund be established in each municipality that has a paid or part-paid department which is not covered by the Texas Municipal Retirement System, is not covered by another state law providing retirement benefits for fire department personnel, and does not have in effect a program providing retirement benefits for the fire department that exists exclusively of volunteers.

S.B. 1413 seeks to improve the pension systems and the administrative authority of the local boards by amending outdated language and provisions that hinder the fund's ability to comply with their duties as trustees.

As proposed, S.B. 1413 amends current law relating to the administration of retirement systems for paid, partly paid, or volunteer firefighters.

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 Sections 19(a) and (b), Texas Local Fire Fighters Retirement Act (Article 6234e, V.T.C.S.), as follows:

(a) Provides that, in each municipality and other political subdivision to which this Act applies and that has a fire department that does not consist exclusively of volunteers, the fire fighters' retirement system is governed by a board of trustees consisting of:

(1) in a municipality, the mayor, rather than the mayor of the municipality, or the mayor's designated representative; in an emergency services district, the president of the board of emergency services commissioners; or in another political subdivision, the chief operating officer, rather than the chief operating officer of the political subdivision, or the chief operating officer's designated representative, as applicable;

(2)-(3) Makes no change to these subdivisions; and

(4) two persons who reside in this state, rather than two persons who reside in this state in the municipality or other political subdivision or within the extraterritorial jurisdiction of the municipality, who are not officers or employees of the municipality or other political subdivision, and who are elected by a majority vote of the members of the board of trustees determined as provided by Subdivisions (1), (2), and (3) of this subsection.

(b) Authorizes a person, if only a single person is nominated for the board of trustees position being filled, to be elected by acclamation by those participating members present for the election meeting, without the necessity of a secret ballot.

SECTION 2. Amends Section 25(b), Texas Local Fire Fighters Retirement Act (Article 6243e, V.T.C.S.), to change references to the book value of the assets of the trust fund established in conjunction with a fire fighters' retirement system (fund) to the market value of the assets of the fund.

SECTION 3. Amends Sections 30(b) and (c), Texas Local Fire Fighters Retirement Act (Article 6243e, V.T.C.S.), as follows:

(b) Deletes existing text requiring each municipality or other political subdivision picking up contributions to continue, however, to compute federal income tax withholding as if these contributions were employee wages until the first payroll period that begins after the date the fire fighters' pension commissioner files with the secretary of state a notice stating that the United States Internal Revenue Service has determined or a federal court has ruled that under Section 414(h), Internal Revenue Code of 1986 (26 U.S.C. Section 414(h)), the contributions are not includable in the gross income of a member until they are distributed or made available.

(c) Deletes existing text providing that a pick up of employee contributions takes effect in a municipality or other political subdivision on January 1 of the year following the year in which the fire fighters' pension commissioner has filed with the secretary of state a notice stating that the United States Internal Revenue Service has issued a determination that the plan covering employees of the municipality or other political subdivision is a qualified retirement plan under Section 401(a), Internal Revenue Code of 1986 (26 U.S.C. Section 401(a)), and that its related trust is tax exempt under Section 501(a) of that code (26 U.S.C. Section 501(a)).

SECTION 4. Repealer: Section 19(e) (relating to requiring the secretary of a board of trustees to forward accurate copies of the minutes of a meeting to each fire station and to each division of the fire department), Texas Local Fire Fighters Retirement Act (Article 6243e, V.T.C.S.).

SECTION 5. Effective date: upon passage or September 1, 2013.