

BILL ANALYSIS

Senate Research Center
87R21742 KFF-D

H.B. 3375
By: Davis (Johnson)
Finance
5/19/2021
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Concerns have been raised about the circumstances under which the Dallas Police and Fire Pension System (DPFPS) allows eligible deferred retirement option plan (DROP) participants to receive distributions in the event of a financial hardship. H.B. 3375 seeks to address these concerns by authorizing the board of trustees of DPFPS 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.

H.B. 3375 amends current law relating to certain benefits payable by the public retirement systems for police and fire fighters 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 Sections 6.14(e-3) and (e-4), Article 6243a-1, Revised Statutes, as follows:

(e-3) Authorizes the board of trustees (board) of the pension system for police officers and firefighters in certain cities (pension system) to by rule allow any person receiving an annuity from the annuitization of a deferred retirement option plan (DROP) account under Section 6.14 (Deferred Retirement Option Plan), rather than allow a DROP participant who has terminated active service and who is eligible for a retirement pension, to:

(1) assign the distribution from the person's, rather than participant's, annuitized DROP account to a third party provided the pension system receives a favorable private letter ruling from the Internal Revenue Service ruling that such an assignment will not negatively impact the pension system's qualified plan status; and

(2) subject to Subsection (e-4) of this section, in the event of a financial hardship that was not reasonably foreseeable obtain a lump-sum distribution from the person's, rather than participant's, DROP account resulting in a corresponding reduction in the total number or in the amount of annuity payments.

(e-4) Requires the board to adopt rules necessary to implement Subsection (e-3)(2) of this section, including rules regarding what constitutes a financial hardship for purposes of that subdivision. Requires the board, in adopting the rules, to provide flexibility to persons receiving an annuity from the annuitization of a DROP account, rather than provide flexibility to members.

SECTION 2. Effective date: September 1, 2021.