HOUSE RESEARCH ORGANIZATION bill digest — 5/26/2003 — SB 1442 Barrientos (Keel)

SUBJECT:	Amending provisions for the Austin Police Retirement System
COMMITTEE:	Pensions and Investments — favorable, without amendment
VOTE:	5 ayes — Ritter, Telford, McClendon, Pena, Rose 0 nays 2 absent — Grusendorf, Martinez Fischer
SENATE VOTE:	On final passage, May 6 — 31-0, on Local and Uncontested Calendar
WITNESSES:	No public hearing

BACKGROUND: The 72nd Legislature in 1991 enacted V.T.C.S., art. 6243n-1, establishing a police officers' retirement system in municipalities with a population of 460,000 to 500,000. This act specifically affects the Austin Police Retirement System, whose board must set guidelines for participation, contributions, benefits, and administration.

DIGEST: SB 1442 would allow the board of the Austin Police Retirement System to impose additional requirements that a system member would have to meet to qualify for military service credit, permissive service credit, and the retroactive deferred retirement option plan (retro DROP). It also would establish the system's retiree death benefit fund.

Military service credit. The police retirement board could establish by rule additional requirements that a person would have to meet to receive military service credit. The board also could provide by rule that no person could receive military credit after a date set in the rule.

Permissive service credit. The board could provide by rule that a member or eligible surviving spouse could establish creditable service by depositing with the police retirement system the actuarial present value of the additional life annuity (modified cash refund) that would be attributable to the purchase of service credit, based on rates and tables recommended by the system's actuary and adopted by the board.

Before allowing the purchase of service credit, the board would have to adopt rules relating to the maximum amount of credit that could be purchased by an eligible person, the eligibility requirements that must be satisfied before purchasing credit, and other matters as the board considered necessary.

The board could not adopt a rule authorizing the purchase of credit unless the board had obtained an actuarial study indicating that adopting the rule would not make the retirement system financially unsound and that, after adoption, the system's unfunded actuarial liability could be amortized within the maximum amortization period adopted by the Governmental Accounting Standards Board.

The board could not adopt a rule authorizing the purchase of credit if that rule was inconsistent with the requirement of the Internal Revenue Code of 1986 (26 U.S.C., sec. 1 *et seq.*) and its successors. The board could modify or repeal a rule adopted under this section, but a rule modification would have to comply with the other requirements for permissive service credit.

Retro DROP. The board could modify or eliminate retro DROP provisions by rule if the modification or elimination was approved by the board's actuary and would not cause the amortization period for the retirement system's unfunded actuarial liability to exceed the maximum amortization period adopted by the Governmental Accounting Standards Board.

Retiree death benefit fund. SB 1442 would require the board to establish a retiree death benefit fund. The board would have to deposit in the fund contributions paid by the city to provide retiree death benefits. The board could, but would not have to, credit interest to the retiree death benefit fund annually at a rate determined by the board.

The system would have to pay death benefits only from money in the retiree death benefit fund, and the benefits would not be an obligation of other of the system's funds. Payment of a lump-sum death benefit would have to be made from the retiree death benefit fund.

Based upon the recommendation of the system's actuary, the board would have to adopt rates and tables as necessary to determine the city's contribution to the retiree death benefit fund. At the same time as the actuary made a required valuation of the system's assets and liabilities, the actuary also would have to make an actuarial valuation of the assets and liabilities of the retiree death benefit fund. Upon a recommendation by the actuary, the board would have to adjust the rates and tables for the retiree death benefit fund.

If at any time the amount of payments due from the retiree death benefit fund exceeded the fund balance, the board could direct that funds be transferred from the general retirement fund to the retiree death benefit fund to cover the deficiency. Any sums transferred to the retiree death benefit fund would have to be repaid to the general retirement fund when the city's subsequent contributions had accumulated in the retiree death benefit fund sufficient for a repayment to appear prudent.

The city's contributions to the retiree death benefit fund would have to be made at the same time as its contribution to the retirement system under the statutory method of financing. The city's contribution each pay period for the retirement system's financing would have to be reduced by the amount of its contribution to the retiree death benefit fund for that same pay period.

The bill would take effect September 1, 2003.