

SUBJECT: Revisions to the Texas Emergency Services Retirement System

COMMITTEE: Pensions and Investments — committee substitute recommended

VOTE: 4 ayes — Truitt, Burnam, Macias, Rodriguez
0 nays
3 absent — Villarreal, McClendon, Keffer

WITNESSES: For — (*Registered, but did not testify:* Randy Cain, Texas Fire Chiefs Association; Kevin Deiters, Texas Emergency Services Retirement System/Office of Fire Fighters Pension Commission)

Against — None

On — Lisa Ivie Miller, Texas Emergency Services Retirement System/Office of Fire Fighters Pension Commission

BACKGROUND: The Texas Emergency Services Retirement System (TESRS) provides pension benefits for volunteer firefighters and emergency medical services (EMS) personnel, as well as members of part-paid and part-volunteer fire departments. Currently, 181 local departments participate in the system, which serves more than 7,000 members, retirees, and their beneficiaries. The system is administered by the Office of Firefighters Pension Commission.

In 2005, the 79th Legislature revised statutes governing TESRS with the enactment of SB 522 by Armbrister, which, among other changes, expanded the power of the board to adjust benefits and changed requirements for qualifying for TESRS.

DIGEST: CSHB 2400 would revise and update statutes governing the TESRS, particularly those governing disability retirement benefits. The bill would specify that a member would be entitled to disability retirement benefits only if a local board determined that the member became disabled in the line of duty and was unable to return to work.

Temporary disability benefits. Temporary disability benefits would cease after up to one year as determined by a physician or if the recipient returned to work, resumed scholastic studies, or performed emergency services for any agency. A local board could hold a hearing if it determined that there were grounds for termination of temporary disability benefits.

Continuing disability benefits. To receive a continuing annuity as a disability benefit, the member would have to be certified as permanently disabled by a state-appointed medical board on the first, rather than the second, anniversary of the date the member was found to be temporarily disabled. Annuity payments would cease if a member certified to be permanently disabled returned to work. After notice and a hearing, the TESRS commissioner could terminate continuing disability benefits if there were reason to believe that grounds for termination existed.

Continuing disability payments would terminate after five years unless a retiree was recertified as being permanently disabled and unable to perform the duties of any occupation for which the person was reasonably suited by education, training, and experience and for which the person could expect at least 75 percent of his or her previous salary. Rejection of a suitable offer of employment would be considered grounds for termination of disability benefits.

The bill also would:

- give the board additional authority to determine benefit changes that were previously defined in statute;
- allow the board to authorize a participating department to make supplemental payments or provide annuity increases. These payments, which would have to be approved in a contract with the TESRS board, would be at the expense of the participating plan and would present no additional cost to TESRS or the state; and
- provide immunity from liability for good-faith acts of omission by members of the state board, commissioner or employees of TESRS.

The bill would take effect September 1, 2007. The provisions of the bill would not apply to those receiving permanent disability retirement benefits under statutes in effect before this date. Those receiving temporary disability benefits after September 1, 2008, would have to be certified as permanently disabled.

**SUPPORTERS
SAY:**

CSHB 2400 would give the TESRS board the additional authority it needs to maintain the actuarial soundness of the TESRS pension fund and provide retirement security for 7,000 TESRS members, retirees and their beneficiaries. This system serves an important function by providing pension benefits for volunteer firefighters and emergency workers in 181 departments throughout the state.

CSHB 2400 would continue a process of modernizing and improving TESRS that was initiated in 2005 by the 79th Legislature. These changes, along with the infusion of additional state funds, have helped make the TESRS retirement fund actuarially sound.

Even though the board would receive additional authority and flexibility, the fund would continue to be carefully managed by internal staff and external investment managers. The board already has illustrated its prudence in making benefit plan changes over the past two years that have helped strengthen the fund without significantly affecting retirees.

**OPPONENTS
SAY:**

CSHB 2400 would give the board too much authority to oversee the fund. Some limitations and eligibility requirements should remain in statute and be subject to legislative approval so that elected officials continue to have some input into the operation of the fund.

NOTES:

The committee substitute remove “providing a penalty” from the caption and changed the lettering of a subsection.