

- SUBJECT:** Terminating participation in the Emergency Services Retirement System
- COMMITTEE:** Pensions, Investments and Financial Services — favorable, without amendment
- VOTE:** 9 ayes — Murphy, Vo, Capriglione, Flynn, Lambert, Leach, Longoria, Stephenson, Wu
- 1 nay — Gervin-Hawkins
- 1 absent — Gutierrez
- WITNESSES:** For — Wayne Millsap, City of Lucas; Larry Bowman, Pension Board, City of Lucas
- Against — None
- On — (*Registered, but did not testify*: Kevin Deiters, Texas Emergency Services Retirement System)
- BACKGROUND:** Government Code sec. 862.001 allows the governing body of a department that performs emergency services to elect to participate in the Texas Emergency Services Retirement System.
- DIGEST:** HB 2178 would allow the governing body of a department participating in the Texas Emergency Services Retirement System (TESRS) plan to terminate participation if:
- the department consisted of both volunteer and at least six full-time firefighters;
  - the full-time firefighters were employees of a home-rule municipality governed by the same body and of which the department was a part; and
  - the governing body elected to provide retirement benefits to the volunteer firefighters through participation in an alternative retirement system.

The governing body of a department that elected to terminate participation in TESRS would forfeit all contributions to the system necessary to pay the benefits of vested members. The state board of TESRS would have to adopt rules necessary to implement the bill.

The bill would take effect September 1, 2019.

**SUPPORTERS  
SAY:**

HB 2178 would allow a limited number of cities to discontinue participation in the Texas Emergency Services Retirement System (TESRS) in favor of alternative private market plans that provide better benefits for volunteer firefighters at lower costs to taxpayers.

This change would benefit smaller cities that have a mix of volunteer and full-time firefighters by making it affordable for them to continue their volunteer firefighter programs. These programs provide valuable training for volunteers who often become full-time firefighters, improving regional fire response. The TESRS plan requires lengthy service before volunteer firefighters become vested and earn benefits. Most volunteer firefighters do not stay with a municipal department long enough to vest, resulting in some cities making a significant financial outlay for little or no return for their volunteer firefighters.

While concerns have been raised about the impact on TESRS from cities discontinuing payments into the system, these cities would forfeit all the money they had paid into the system over the years, which would help keep the fund actuarially sound.

**OPPONENTS  
SAY:**

HB 2178 could create instability in TESRS due to a loss of future contributions if numerous departments left the system. There currently are 36 departments with 572 active participants in TESRS that could end their participation under terms of the bill. An actuarial analysis of the bill notes that TESRS is a cost-sharing retirement system where the sum of expected contributions from all participating departments is used to pay the system's obligations and kept it actuarially sound.