

BILL ANALYSIS

Senate Research Center

H.B. 1242
By: Maxey (Barrientos)
Intergovernmental Relations
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Engrossed

DIGEST

This bill proposes a number of amendments Article 6243n-1, V.T.C.S., the state statute which governs the Austin Police Retirement System. The Board of Trustees of the Austin Police Retirement System authorized an actuarial study of a package of benefit improvements to see what could be financed adequately with the present financing of 9 percent of basic hourly earnings by contributing members and 18 percent of basic hourly earnings by the City of Austin. The results of that study are reflected in this bill. In addition, the board authorized a complete review of the governing state statute for compliance with federal law and for clarity, consistency, and completeness. As a result of that review, a large number of minor technical changes are included in this bill.

PURPOSE

As proposed, H.B. 1242 establishes provisions for participation in, benefits under, and administration of retirement systems.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 1.02, Article 6243n-1, V.T.C.S., to redefine "accumulated deposits," "actuary," "average final compensation," "creditable service," "disability retirement," "fund no. 1," "fund no. 2," "investment consultant," "investment manager," "life annuity," "retirement annuity," "annuity," "life annuity (modified cash refund)," "member," "police officer," "police retirement board," "police retirement system," "active service," "withdrawal," and "withdrawal benefit." Defines "basic hourly earnings," "death benefit," "employment termination," "retired member," "spouse," "survivor benefit," and "vested."

SECTION 2. Amends Section 2.01, Article 6243n-1, V.T.C.S., to establish the retirement system for police officers and the trust forming a part of the system. Makes a conforming change.

SECTION 3. Amends Section 2.03, Article 6243n-1, V.T.C.S., to make conforming changes.

SECTION 4. Amends Section 3.02, Article 6243n-1, V.T.C.S., to require the police retirement board (board) to be composed of four police officers, rather than active police officers, elected by the police officers members of the police retirement system (system). Makes conforming and nonsubstantive changes.

SECTION 5. Amends Section 3.03, Article 6243n-1, V.T.C.S., to make conforming and nonsubstantive changes.

SECTION 6. Amends Section 3.05(b), Article 6243n-1, V.T.C.S., to require the pension officer to appoint other necessary staff members. Requires other employees of the system to receive compensation.

SECTION 7. Amends Section 3.06, Article 6243n-1, V.T.C.S., to make conforming changes.

SECTION 8. Amends Section 3.08-3.12, Article 6243n-1, V.T.C.S., as follows:

Sec. 3.08. New heading: ADMINISTRATION OF POLICE RETIREMENT SYSTEM. Requires individual accounts to show the amount of accumulated deposits. Deletes text regarding accumulated interest. Makes conforming and nonsubstantive changes.

Sec. 3.09. ACTUARY; DUTIES. Deletes text regarding surviving spouses. Makes conforming changes.

Sec. 3.10. INVESTMENT MANAGERS. Makes conforming and nonsubstantive changes.

Sec. 3.11. INVESTMENT CONSULTANT. Makes a conforming change.

Sec. 3.12. LEGAL COUNSEL. Requires the board to litigate all matters for and on behalf of the police retirement system. Makes a conforming change.

SECTION 9. Amends Sections 4.01(c)-(f), Article 6243n-1, V.T.C.S., to delete text regarding members of the police system's staff. Provides that an employee of the system eligible for membership in the system is one whose position is classified in the annual budget, who is expected to be employed throughout the full calendar year, and whose employment is expected to continue. Deletes text regarding the staff's compensation. Requires membership in the police retirement system to consist of certain groups. Requires a member to cease to be a member of the police retirement system and to forfeit creditable service if, after employment termination through certain actions, the member shall withdraw the member's accumulated deposits as provided under the withdrawal benefit provisions of this Act. Sets forth the calculation of the interest factor. Sets forth who is an eligible member. Sets forth procedures to reinstate eligible forfeited creditable membership service. Prohibits uniformed service leave of absence from being included in a two-year leave of absence if the member returns to active service with the city as a police officer or with the system as an employee of the system within 90 days after the expiration of the uniformed service leave of absence. Provides that if a member on a uniformed service leave of absence makes biweekly deposits during the leave of absence, the employer shall make certain contributions. Requires an employer to make certain contributions, if a member makes payment of the deposits after returning to the employment of the city or the system. Makes conforming and nonsubstantive changes.

SECTION 10. Amends Article V, Article 6243n-1, V.T.C.S., as follows:

Sec. 5.01. CREDITABLE SERVICE. Makes conforming changes.

Sec. 5.02. MILITARY SERVICE CREDIT. Provides that an eligible surviving spouse is the surviving spouse of a member who was an eligible member immediately before the time of death, if a member makes certain payments. Authorizes an eligible spouse to establish certain creditable service only if lump-sum death benefits are not paid.

Sec. 5.03. PROBATIONARY SERVICE CREDIT. Provides that probationary service creditable in the system is any probationary service following the commission date for which the member does not have creditable service. Sets forth the calculation of the interest factor. Deletes Subsection (d).

Sec. 5.04. CADET SERVICE CREDIT. Sets forth requirements for cadet service credit.

SECTION 11. Amends Section 6.01 and 6.02, Article 6243n-1, V.T.C.S., as follows:

Sec. 6.01. New heading: SERVICE RETIREMENT BENEFITS AND INCREASES IN BENEFITS. Requires each monthly payment to be equal to one-twelfth of the product of 2.88, rather than 2.8, percent of a member's average final compensation multiplied by the number of months of creditable service. Deletes text regarding payments. Provides that an annuity is due at the end of the month immediately following the member's retirement date. Deletes Subdivisions (5) and (7). Deletes Subdivision (e)(3). Deletes text regarding determining compensation. Makes conforming changes.

Sec. 6.02. ELIGIBILITY FOR SERVICE RETIREMENT. Deletes text regarding continuing employment as a police officer. Prohibits compensation from being paid to a member as long as the member is employed by the system as an employee of the system's administrative staff. Makes conforming changes.

SECTION 12. Amends Sections 6.03(a) and (b), Article 6243n-1, V.T.C.S., to delete Options V, VI, and VIII regarding retirement benefits. Makes conforming changes.

SECTION 13. Amends Section 6.04(a), 6243n, V.T.C.S., to require the member on employment termination to receive a certain amount at the time the member separates from service. Sets forth the calculation of a service retirement benefit. Deletes a calculation regarding service retirement benefit. Makes conforming changes.

SECTION 14. Amends Sections 6.05 and 6.06, Article 6243n-1, V.T.C.S., as follows:

Sec. 6.05. DEATH OF A MEMBER; TREATMENT OF ACCUMULATED DEPOSITS. Sets forth the amount of a lump sum payment.

Sec. 6.06. SELECTING OPTIONS; DESIGNATING BENEFICIARIES. Provides that a member's survivor benefit is calculated as if the member had retired on the last day of the calendar month of death, if certain situations take place. Provides that Option VI is an option which existed before the amendment of Section 6.03(a) of this Act by H.B. 1242 or S.B. 588, Acts of the Legislature, Regular Session, 1997. Makes conforming changes.

SECTION 15. Amends Article 6243n-1, V.T.C.S., by adding Section 6.07, as follows:

Sec. 6.07. RETROACTIVE DEFERRED RETIREMENT OPTION PLAN. Sets forth the requirements of the retroactive deferred retirement option plan.

SECTION 16. Amends Section 7.01, Article 6243n-1, V.T.C.S., to authorize a member to apply for disability retirement, if the member has become impaired for the performance of the employment duties the member had directly before incapacitation. Makes conforming changes.

SECTION 17. Amends Section 7.02(a), Article 6243n-1, V.T.C.S., to make conforming changes.

SECTION 18. Amends Sections 7.03(a)-(d), Article 6243n-1, V.T.C.S., to require the board to review and modify benefits if the member is able to earn at least as much money in the member's new job as the member would have in the member's most recent position with the system or the police department. Makes conforming changes.

SECTION 19. Amends Sections 8.01(a), (c), and (f), Article 6243n-1, V.T.C.S., as follows:

(a) Authorizes active-contributory members, on recommendation of the board, by a majority of those voting, to increase the rate of member deposits above six percent to whatever amount the board has recommended. Requires the city to contribute amounts equal to 18 percent of the basic hourly earnings of each member. . Deletes text regarding percentage amounts.

(c) and (f) Makes a conforming change.

SECTION 20. Amends Section 9.01, Article 6243n-1, V.T.C.S., by amending the heading and Subsections (a), (b), and (d) and adding Subsection (e), as follows:

Sec. 9.01. New heading: INVESTMENTS OF THE BOARD. (a) Makes conforming changes.

(b) Deletes text regarding the board and employees of the board. Makes conforming changes.

(d) Deletes text regarding certain benefits. Makes conforming changes.

(e) Sets forth requirements for certain benefits.

SECTION 21. Amends Section 10.01, Article 6243n-1, V.T.C.S., to make a conforming change.

SECTION 22. Amends Section 11.01(a)(1), Article 6243n-1, V.T.C.S., to redefine "annual benefit."

SECTION 23. Amends Sections 11.01(d)-(h), Article 6243n-1, V.T.C.S., to delete Subdivision (2). Makes conforming changes.

SECTION 24. Amends Section 12.01, Article 6243n-1, V.T.C.S., by amending the heading and Subsections (b), (c), and (g), as follows:

Sec. 12.01. New heading: DISTRIBUTION RULES FOR SERVICE RETIREMENT AND DEATH ANNUITY PAYMENTS. Makes conforming changes.

SECTION 25. Amends Sections 12.02(b) and (e), Article 6243n-1, V.T.C.S., to make conforming changes.

SECTION 26. Amends Section 13.01(a), Article 6243n-1, V.T.C.S., to delete text regarding distributions. Makes conforming changes.

SECTION 27. Amends Sections 13.01(b)(1) and (4), Article 6243n-1, V.T.C.S., to redefine "eligible rollover distribution" and "direct rollover." Makes conforming changes.

SECTION 28. Effective date: September 1, 1997.

SECTION 29. Emergency clause.