

## **BILL ANALYSIS**

Senate Research Center  
77R7339 SMJ-D

H.B. 1569  
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Engrossed

### **DIGEST AND PURPOSE**

Legislation passed in 1997 created law governing the firefighters' relief and retirement fund for firefighters in cities having a population of at least 1,600,000. Due to the conservative management of the fund, the fund has continually grown each year. As proposed, H.B. 1569 authorizes an annual supplemental benefit, increases the lump-sum benefit payable to members upon retirement and to certain classes of survivors from \$4000 to \$5000, increases the deferred retirement option program (DROP) from 7 to 10 years, and allows the firefighters to participate in the proportional retirement program with police and city employees.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the board of trustees of a firefighters' relief and retirement fund established under this article in SECTION 6 (proposed new Section 18, Article 6243e.2(1), Revised Statutes) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 4(d), Article 6243e.2(1), Revised Statutes, to require the total monthly benefit payable to a retired or disabled member, other than a deferred retiree or active member who has elected the DROP under Section 5(b) of this article, or payable to an eligible survivor of a deceased member as provided by Section 7(a) of this article, to be increased by certain amounts. Makes conforming changes.

SECTION 2. Amends Section 5, Article 6243e.2(1), Revised Statutes, by amending Subsections (a), (b), (c), (d), (i), and (l) and adding Subsections (p), (q), and (r), as follows:

(a) Provides that an election to participate in the DROP, once approved by the board, is irrevocable. Deletes text regarding an exception under Subsection (l) of this section. Provides that a DROP participant's monthly benefit at retirement is increased by two percent of the amount of the member's original benefit for every full year of participation in the DROP by the member. Provides that this increase is applied to the member's benefit at retirement and is not added to the member's DROP account. Prohibits the total increase under this subsection from exceeding 20 percent for 10 years of participation in the DROP by the member.

(b) Prohibits a member from participating in the DROP for more than 10 years. Prohibits subsequent deductions from the member's salary under Section 13(c) of this article, if a DROP participant remains in active service after the 10th (rather than seventh) anniversary of the effective date of the member's DROP election, from being credited to the member's DROP account and prohibits the deductions from otherwise increasing any benefit payable from the fund for the member's service.

(c) Makes a conforming change.

(d) Makes a conforming change.

(i) Provides that the day immediately before the effective date of the DROP participant's election is considered to be the date the member terminates active service, rather than on the effective date of the participant's election. Deletes language regarding disability benefits and an exception under Subsection (l).

(l) Deletes language regarding ineligibility to receive enhanced death benefits, DROP participants incapable of performing gainful employment, the death of a DROP participant, on-duty disability, and DROP election revocations. Provides that a member who participates in the DROP is ineligible for disability benefits described by Section 6 of this article, except the benefits described by Section 6(c). Requires the disability benefit provided by Section 6(c)(1), if a member who has a disability described by Section 6(c) of this article is a DROP participant, to be paid to the member, as a monthly pension benefit, in addition to payments from the DROP account balance. Requires the benefit provided by Section 7(c), if a member who dies under the conditions described by Section 7(c) of this article is a DROP participant at the time of death or disability resulting in death, to be paid to the member's eligible survivors, as a monthly pension benefit, in addition to payments from the DROP account balance

(p) Authorizes a member participating in the DROP who was qualified to make a DROP election before the actual date of the member's election to elect to have the member's DROP account recomputed by participating in a Back-DROP. Provides that, under a Back-DROP election, the member's account balance is equal to the amount that the account would have had if the member had elected to participate in the DROP on an earlier date chosen by the member. Prohibits the Back-DROP date chosen by the member from being earlier than the later of the date that is three years before the date the member elected to participate in the DROP, or September 1, 1995. Provides that the member's choice of a Back-DROP date is irrevocable, except as provided by Subsection (r) of this section.

(q) Authorizes a member to revoke the member's Back-DROP election by notifying the fund in writing not later than the 10th business day after the date the member signs an application form for a Back-DROP.

(r) Authorizes a member to revoke the date chosen under a Back-DROP election and choose an earlier Back-DROP date only in certain instances.

SECTION 3. Amends Sections 10A(a), (b), (c), (d), (e), (h), and (i), Article 6243e.2(1), Revised Statutes, as follows:

(a) Requires the board of trustees of a firefighters' relief and retirement fund established under this article (board) to pay supplemental benefits under this section to retired members and eligible survivors who are receiving retirement or survivor benefits on June 30 of the year preceding the year in which the supplemental benefits are to be paid. Deletes language regarding deferred retirees and survivors of deferred retirees and subsection (b). Prohibits deferred retirees or survivors of deferred retirees from receiving supplemental benefits under this section. Deletes language regarding the board paying supplemental benefits in January following a fiscal year of the fund in which the requirements of Subsection (b) of this section are met.

(b) Requires the board to pay the supplemental benefits under this section each January. Deletes language regarding the fund actuary making certain determinations.

(c) Deletes language regarding the board adopting rule and procedures. Provides that,

for purposes of this section, the minimum income level is the federal poverty guideline for a family of five as issued by the United States Department of Health and Human Services, rounded up to the nearest \$1,000.

(d) Deletes language regarding the board making a determination of an aggregate supplemental benefit amount. Provides that the aggregate supplemental benefit amount is \$5 million.

(e) Makes a conforming change.

(h) Makes a conforming change.

(i) Provides that, if the lump-sum payment plus the annual retirement benefit is less than the minimum income level under Subsection (c) of this section, rather than established by the board, the retired member or eligible survivor is entitled to receive an additional payment from the amount determined under Subsection (d) of this section that will cause payments to the recipient to meet but not exceed the minimum income level.

SECTION 4. Amends Sections 10B(a) and (b), Article 6243e.2(1), Revised Statutes, as follows:

(a) Requires the board to pay certain members (rather than people), a \$5000 (rather than \$4000) lump-sum payment from the fund, in addition to any other benefits, as soon as administratively practicable after the date of the member's retirement. Deletes language regarding a retirement after June 30, 1998.

(b) Requires the board to pay a \$5,000 lump-sum payment from the fund, in addition to any other benefits, to an eligible survivor of certain members.

SECTION 5. Amends Section 11(c), Article 6243e.2(1), Revised Statutes, to require the benefits, including survivor benefits, payable based on the service of a member who is or would have been at least 48 (rather than 50) years old, received or is receiving an on-duty disability pension under Section 6(c) of this article, or died under the conditions described by Section 7(c) of this article, to be increased by three percent in October of each year and, if the benefit had not previously been subject to that adjustment, in the month of the member's 48th (rather than 50th) birthday. Deletes language regarding 30 or more years of participation.

SECTION 6. Amends Article 6243e.2(1), Revised Statutes, by adding Section 18, as follows:

Sec. 18. **PROPORTIONAL RETIREMENT PROGRAM.** (a) Defines “combined service credit,” “participating retirement system,” “program,” and “service credit.”

(b) Authorizes the board, if the board determines that the provisions governing a participating retirement system are compatible with the provisions governing the fund under this article, to establish the program under this section.

(c) Authorizes a member who is eligible to participate to, under the program, use combined service credit to determine eligibility for a benefit under this article. Requires the member to have at least 20 years of combined service credit to receive a proportional retirement benefit. Provides that the member is subject to the same requirements and receives the same benefits, including enhancements, as a member who establishes retirement eligibility for the same amount of service credit without using combined service credit.

(d) Prohibits a member from using or receiving certain service credit and benefits under certain conditions.

(e) Provides that a person is eligible to participate in the program if the person is employed by the city, is covered by a participating retirement system, and is or has been a member of the fund.

(f) Prohibits a member who is retired or participating in a DROP under Section 5 of this article from participating in the program. Prohibits a member from receiving a disability retirement benefit and a service retirement benefit under the program.

(g) Provides that, in determining proportional retirement benefits under the program for a member who has participated in the fund for less than 20 years, the member is entitled to a monthly benefit in an amount equal to 1.7 percent of the member's average monthly salary multiplied by the number of the member's years of participation in the fund.

(h) Authorizes a member who receives a disability benefit under a participating retirement system to receive a proportional disability benefit under the program as provided by Subsection (i) of this section.

(i) Provides that, in determining disability retirement benefits under the program, the member is entitled to a monthly benefit in an amount equal to 1.7 percent of the member's average monthly salary multiplied by the number of the member's years of participation in the fund.

(j) Authorizes the board to modify the program only to make the program's provisions compatible with the provisions of a participating retirement system. Prohibits the board from modifying the program for the purpose of providing a new benefit to a member.

(k) Authorizes the board, if the board determines that the provisions governing a participating retirement system are not compatible with the provisions governing the fund under this article, to terminate the program. Requires the board to provide written notice to the executive director of the participating retirement system by a certain date. Authorizes the board to reestablish the program at its discretion, subject to the requirements of this section.

(l) Authorizes the board to adopt rules to implement and administer this section.

SECTION 7. (a) Provides that, except as provided by Subsection (b) of this section, this Act takes effect September 1, 2001.

(b) Provides that Section 18, Article 6243e.2(1), Revised Statutes, as added by this Act, takes effect October 1, 2001.