

BILL ANALYSIS

Senate Research Center
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S.B. 1442
By: Barrientos
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DIGEST AND PURPOSE

Currently, the board of the Austin Police Retirement System is required to set the guidelines for participation in, contributions to, and benefits and administration of the retirement system. As proposed, S.B. 1442 enables the police retirement board to establish additional requirements that a person must meet in order to qualify for certain retirement benefits.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the board of the Austin Retirement System in SECTION 1 (Article 6243n-1, V.T.C.S.), and SECTION 2 (Section 5.05, Article 6243n-1, V.T.C.S.) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends, Section 5.02, Article 6243n-1, V.T.C.S., by adding Subsections (d) and (e), as follows:

- (d) Authorizes the police retirement board (board) by rule to establish additional requirements that a person must meet in order to receive credit under this section.
- (e) Authorizes the board by rule to provide that no person may receive credit under this section after a date set forth in that rule.

SECTION 2. Amends Article 6243n-1, V.T.C.S., by adding Section 5.05, as follows:

SEC. 5.05. PERMISSIVE SERVICE CREDIT. (a) Authorizes the board by rule to provide that a member or eligible surviving spouse of a member may establish creditable service by depositing with the retirement system the actuarial present value, at the time of deposit, of the additional life annuity (modified cash refund) defined in Section 6.01 of this Act that would be attributable to the purchase of the service credit under this section, based on rates and tables recommended by the retirement system's actuary and adopted by the board of trustees.

(b) Requires the board, prior to allowing the purchase of service credit under this section, to adopt rules relating to the maximum amount of credit which may be purchased by a person under this section, the eligibility requirements that a person must satisfy before purchasing credit under this section, and such other matters as the board considers necessary for the administration of this section.

(c) Prohibits the board from adopting a rule authorizing the purchase of credit under this section unless the board has obtained an actuarial study indicating that adoption of the rule will not make the retirement system financially unsound and that, after adoption of the rule, the retirement system's unfunded actuarial liability can be amortized within the maximum amortization period adopted by the Governmental Accounting Standards Board.

(d) Prohibits the board from adopting a rule authorizing the purchase of credit under this section if that rule would be inconsistent with the requirements of the

Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.) and its successors.

(e) Authorizes the board to modify or repeal a rule adopted under this section. Requires a modification of a rule adopted under this section to comply with the requirements of this section.

SECTION 3. Amends Section 6.05(c), Article 6243n-1, V.T.C.S., to require the payment under this subsection to be made from the retiree death benefits fund described in Section 6.08.

SECTION 4. Amends Section 6.07(j), Article 6243n-1, V.T.C.S., to authorize the board to modify or eliminate the RETRO DROP provisions of this section by the adoption of board rules if the modification or elimination is 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.

SECTION 5. Amends Article 6243n-1, V.T.C.S. by adding Section 6.08, as follows:

Sec. 6.08. RETIREE DEATH BENEFIT FUND. (a) Requires the board to establish a retiree death benefit fund and to deposit in such fund contributions paid by the city to provide retiree death benefits in accordance with this section. Authorizes, but does not require the board to credit interest to the retiree death benefit fund annually at such rate as the board may determine.

(b) Requires the police retirement system to pay death benefits under Section 6.05(c) only from money in the retiree death benefit fund, and provides that the benefits are not an obligation of other funds of the retirement system.

(c) Requires the board, based upon the recommendation of the system's actuary, to adopt such rates and tables as are considered necessary to determine the retiree death benefit fund contribution rate of the city. Requires the actuary, at the same time as the actuary makes a valuation of the assets and liabilities of the system pursuant to Section 3.09, to also make an actuarial valuation of the assets and liabilities of the retiree death benefit fund, and upon recommendation by the actuary, require the board to adjust the rates and tables for the retiree death benefit fund.

(d) Authorizes the board, if at any time the amount of payments due from the retiree death benefit fund exceeds the balance of such fund, to direct that funds be transferred from the general retirement fund to the retiree death benefit fund in such amounts as are necessary to cover the deficiency. Requires any sums transferred to the retiree death benefit fund under this subsection to be repaid to the general retirement fund of the retirement system at such time as subsequent contributions by the city have resulted in the accumulation of a sufficient amount in the retiree death benefit fund for such a repayment to appear prudent.

(e) Requires contributions by the city to the retiree death benefit fund to be made at the same time as the city makes its contribution to the retirement system under Section 8.01, and the amount of the city's contribution under Section 8.01 each pay period to be reduced by the amount of the city's contribution to the retiree death benefit fund for that same pay period.

SECTION 6. Effective date: September 1, 2003.