

BILL ANALYSIS

Senate Research Center
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S.B. 1133
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 1133 relates to contributions to certain fire and police pension funds. The bill fixes two structural defects in current law that are limiting the City of El Paso's flexibility to address an underfunding situation and preventing the El Paso Firemen and Policemen's Pension Fund from complying with the State Pension Review Board guidelines for actuarial soundness. More specifically, the bill allows the city to deal with contribution adjustments as part of its ongoing budgeting process—just like the state does for its major public pension funds. Under current law, a costly election is required each time a contribution rate is adjusted, which has become an impediment to council action.

S.B. 1133 also allows the fund to come into compliance with State Pension Review Board guidelines. Under current law, it takes the fund 40 years to pay off promised benefits. The problem with the 40 year ceiling is that the State Pension Review Board has determined 40 years to be at the very highest end of what is acceptable—a funding period of 15 to 25 years is preferred.

The bill also includes a provision that would enable the city and member contribution rates to decrease if an actuary concludes that the fund has achieved a 25-year funding period.

As proposed, S.B. 1133 amends current law relating to contributions to certain fire and police pension funds.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 14, Chapter 101, Acts of the 43rd Legislature, 1st Called Session, 1933 (Article 6243b, V.T.C.S.), to prohibit funds, except as provided by Section 14A (Contribution Increases) of this Act, from being paid out of the public treasury of any such incorporated city or town, in carrying out any of the provisions of this law, except on a majority vote of the voters of such city or town, and where such funds have been voted on as provided by law, said city is required to contribute such amount.

SECTION 2. Amends Section 14A(a), Chapter 101, Acts of the 43rd Legislature, 1st Called Session, 1933 (Article 6243b, V.T.C.S.), as follows:

(a) Provides that if at any time a qualified actuary that meets the requirements of Section 10A(b)(1) (relating to the conditions that are required to be met for the modification of benefits) of this Act, determines that the total contribution rate, expressed as a percentage of wages, is insufficient to amortize the unfunded actuarial accrued liability, as defined under the Governmental Accounting Standards Board Statement No. 25, over a 40-year period, rather than not to exceed a 40-year period:

(1) the city's or town's governing body is authorized to increase the city or town contribution rate; and

(2) Makes a nonsubstantive change.

SECTION 3. Amends Chapter 101, Acts of the 43rd Legislature, 1st Called Session, 1933 Article 6243b), V.T.C.S.), by adding Section 14B, as follows:

Sec. 14B. CONTRIBUTION DECREASES. (a) Provides that if at any time a qualified actuary that meets the requirements of Section 10A(b)(1) (relating to the conditions that are required to be met for the modification of benefits) of this Act determines that the total contribution rate, expressed as a percentage of wages, is sufficient to amortize the unfunded actuarial accrued liability, as defined under the Governmental Accounting Standards Board Statement No. 25, over a 25-year period:

(1) the city's or town's governing body is authorized to decrease the city or town contribution rate; and

(2) the member contribution rate is required to decrease, to the extent that the city or town contribution rate decreases under Subdivision (1) of this subsection, by an amount equal to the member contribution rate before the decrease multiplied by a fraction:

(A) the numerator of which is the decrease in the amount of the city or town contribution rate; and

(B) the denominator of which is the amount of the city or town contribution rate before the decrease.

(b) Prohibits the sum of the city or town contribution rate and the member contribution rate after a decrease under this section from being less than the total contribution rate determined by the qualified actuary to be necessary to amortize the unfunded actuarial accrued liability over a 25-year period.

SECTION 4. Effective date: upon passage or September 1, 2013.