SUBJECT: Increasing the contribution rates to the Austin police retirement system

COMMITTEE: Pensions, Investments, and Financial Services — favorable, without amendment

VOTE: 6 ayes — Truitt, Anchia, Creighton, Hernandez Luna, Nash, Veasey

1 nay — Orr

2 absent — C. Anderson, Legler

SENATE VOTE: On final passage, May 10 — 31-0, on Local and Uncontested Calendar

WITNESSES: (*On House companion bill, HB 1434*:)
For — Catherine Haggerty, Austin Police Pension Fund; Jeff Knodel, City of Austin; Bob May, Austin Police Retirement System; (*Registered, but did not testify*: Donald Baker, Austin Police Department; Fred Fletcher, Austin Police Retirement System; Todd Harrison, CLEAT; Sean Mannix, City of Austin, Austin Police Department; Wayne Vincent, Austin Police Association)

Against — None

On — Sampson Jordan, Austin Police Retirement System

BACKGROUND: VTCS, art. 6243n-1 regulates a police officer's retirement system in a municipality with a population between 600,000 and 700,000 (Austin).

DIGEST: SB 1285 would increase the contribution rates paid by the city of Austin to the police officers retirement system established in VTCS, art. 6243n-1. From October 1, 2011, to September 30, 2012, the city of Austin's contribution rate would increase from 19 percent to 20 percent. After September 30, 2012, the city of Austin's contribution rate would increase to 21 percent.

The bill would take effect September 1, 2011.

SUPPORTERS SAY:

SB 1285 is a local bill that would affect only the Austin police officers' retirement system. The bill would simply codify increases in the contribution rates that had already been negotiated and agreed to by the city of Austin and the Austin Police Association. The bill would have no fiscal impact on the state, nor would it put new demands on Austin taxpayers.

SB 1285 would codify changes made to improve the actuarial soundness of the retirement fund via increased contribution rates, as recommended by the fund's actuary and conforming to the Pension Review Board's guidelines for actuarial soundness. Under this bill, there would only be a change in the contribution provision of the plan, with no changes in benefits or eligibility for benefits.

It is important to codify the agreement between the city of Austin and its police officers to ensure that the established provisions would continue in perpetuity.

The only opposition to this bill comes from outside of Austin. What the state can and cannot do for its employees is irrelevant to this bill, and Austin's leaders are best positioned to judge what is and is not prudent.

OPPONENTS SAY:

SB 1285 would inappropriately ask the state to statutorily enshrine a plan for Austin to take measures for its police officers' retirement fund that the state itself, in these difficult economic times, cannot take for its retirement funds.

SB 1285 would codify contradictory decisions. This session, Austin has brought another bill to the Legislature that would create a less generous retirement program for newly hired non-uniformed employees. The city needs to curb benefits for its new hires because it cannot afford the current system for non-uniformed employees. At the same time, Austin is asking the Legislature to approve of increased contribution rates to the police officers' retirement program. Although SB 1285 would not directly increase police officers' retirement benefits, the bill would cost the city more money as the contribution rate rose in the coming years, reducing needed budgetary flexibility. The city has made a choice to support police officers' pensions over other employees' pensions. It does not need the Legislature to codify and execute this deal.

SB 1285 would not address the employee contribution rate for the retirement system. Current law states that the employee contribution rate is 6 percent, but in practice it is more. The bill should require the actual employee contribution rate to be accurately reflected in state law.

NOTES: The companion bill, HB 1434, was considered in a public hearing on April 5 and was reported favorably, without amendment, on April 28 by the House Pensions, Investments, and Financial Services Committee.