

BILL ANALYSIS

Senate Research Center

H.B. 2259
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Intergovernmental Relations
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Engrossed

DIGEST

Currently, the City of Galveston funds a separate pension system for its police department. The fund is created by city ordinance and is actuarially sound; however, there is some concern about the stability of this pension system because it is not under the jurisdiction of the state Pension Review Board. A number of other state statutes create and govern police pension systems in Texas, and these systems are under the state Pension Review Board. This legislation would allow municipalities with a population of 50,000, including the City of Galveston, to create a police pension fund under certain circumstances, subject to review by the state Pension Review Board. The pension contributions made by fund members and by the municipality, as well as the benefits paid by the fund, would be set by state statute instead of by local ordinance. The initial contribution amounts and benefits paid by the new fund would be set at the same rates that are currently in existence for the Galveston police pension fund. H.B. 2259 would also allow municipalities that adopt the new statute to transfer the assets and membership of their existing police pension fund into the new fund.

PURPOSE

As proposed, H.B. 2259 provides for the establishment and administration of a retirement fund for police officers in certain municipalities.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the board of trustees of the police pension fund in SECTIONS 2.01, 2.03, 2.09(d), 3.01, and 9.05 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1.01. APPLICABILITY. Provides that this Act applies only to a municipality that has a population of more than 50,000 but less than 400,000; operates under a city manager form of government; and has never elected to join, adopted, or been required to operate under a public retirement system created by a state statute applicable to municipal police officers.

SECTION 1.02. CREATION OF POLICE PENSION FUND. Provides that a police pension fund is hereby authorized in a municipality that adopts this Act. Sets forth the rights and privileges accruing to members of the fund. Requires the fund to continue to operate regardless of whether the municipality continues to meet the conditions of applicability

SECTION 1.03. ADOPTION OF POLICE PENSION FUND. Authorizes a municipality to adopt this Act by a majority vote of the municipality's governing body.

SECTION 1.04. DEFINITIONS. Defines "accumulated contributions," "average monthly compensation," "board of trustees," "compensation," "disability," "member," and "pension fund."

ARTICLE 2. ADMINISTRATION

SECTION 2.01. BOARD OF TRUSTEES. Sets forth the terms by which a board of trustees of the police pension fund (board) is created, in which is vested the general administration, management, and responsibility for the proper and effective organization of the fund. Provides that the board has all necessary powers to discharge the board's duties, including the authority to adopt necessary rules for the administration of the fund and to correct any defect, supply any omission, and reconcile any

inconsistency.

SECTION 2.02. COMPOSITION OF BOARD. Sets forth the composition of the board.

SECTION 2.03. ELECTED TRUSTEES. Requires the board to provide by rule for the procedure for electing trustees.

SECTION 2.04. ADMINISTRATIVE STAFF. Authorizes the board to appoint a plan administrator and any other persons necessary to perform administrative services for the board; and to pay any necessary compensation.

SECTION 2.05. INVESTMENT MANAGERS. Sets forth the terms by which the board is authorized to hire one or more investment managers.

SECTION 2.06. INVESTMENT CONSULTANT. Sets forth the terms by which the board is authorized to hire an investment consultant.

SECTION 2.07. LEGAL COUNSEL. Sets forth the terms by which the board is authorized to retain legal counsel.

SECTION 2.08. INVESTMENTS OF THE BOARD. Establishes the conditions under which the board is the trustee of the assets of the fund and has full power in its sole discretion to invest and reinvest, alter, and change those assets.

SECTION 2.09. INSURANCE. Sets forth the terms by which the board is authorized to purchase one or more insurance policies that provide for the reimbursement of a member, officer, or employee of the board for liability imposed as damages caused by certain circumstances. Authorizes the board to adopt a rule establishing a method for presentation, approval, and payment of claims for indemnification.

ARTICLE 3. TAX QUALIFICATION

SECTION 3.01. TAX QUALIFICATION. Provides that the legislature intends that this Act be construed and administered such that the pension's benefit plan will be a qualified plan. Authorizes the board to adopt rules to qualify the plan, if necessary, and provides that the rules are considered part of the plan.

ARTICLE 4. MEMBERSHIP

SECTION 4.01. MEMBERSHIP IN FUND; ELIGIBILITY. Sets forth the terms by which a person becomes a member of the pension fund, and becomes eligible for membership in the fund.

ARTICLE 5. SERVICE CREDIT

SECTION 5.01. SERVICE. Requires a member to receive credit for service during all periods of employment by the municipality as a police officer. Provides that service credit is used in determining the eligibility for benefits and the amount of benefits to which the member is entitled.

SECTION 5.02. VESTING. Provides that no right to retirement benefits vests until a member completes five years of service.

SECTION 5.03. BREAK IN SERVICE. Establishes what constitutes a break in service. Sets forth the terms by which a member who is granted a leave of absence for military service, and a member who is granted a leave of absence for other reasons, is entitled to receive service credit for the period of service or leave.

ARTICLE 6. CONTRIBUTIONS

SECTION 6.01. PARTICIPATION IN FUND; WAGE DEDUCTIONS. Sets forth the terms by which each member is required to make contributions to the fund, and by which the board is required to determine the percentage deducted from monthly wages.

SECTION 6.02. PICKUP OF MEMBER CONTRIBUTIONS. Establishes the conditions under which the municipality is required to pick up and pay a member's required contribution.

SECTION 6.03. CONTRIBUTIONS BY MUNICIPALITY. Sets forth the terms by which the municipality, acting under the advice of the actuary for the fund, is required to make certain contributions to the fund.

SECTION 6.04. MUNICIPALITY'S LIABILITY. Prohibits the municipality, notwithstanding any other provision of this Act, from being held liable or responsible for any claim or asserted claim for benefits under the fund. Requires all claims to be paid from the money for which provisions have been made under the terms of the plan and fund.

SECTION 6.05. LOANS TO MEMBERS. Authorizes a member to borrow from the member's contributions to the fund as approved by the board based on the rules adopted by the board. Requires the rules to be applied in a nondiscriminatory manner.

ARTICLE 7. RETIREMENT PENSIONS

SECTION 7.01. NORMAL PENSION. Sets forth the monthly pension amount to which a member who retires on or after the member's 65th birthday is entitled.

SECTION 7.02. EARLY PENSION. Sets forth the monthly pension amount to which a member who terminates service on or after the member's 55th birthday but before the member's 65th birthday, and who has at least 10 years of service credited in the fund, is entitled.

SECTION 7.03. SPECIAL EARLY PENSION. Sets forth the monthly pension amount to which a member who terminates service with the municipality on or after the member has 20 years of service and who retires at a certain age is entitled.

SECTION 7.04. EXTRA-SPECIAL EARLY PENSION. Establishes the monthly pension amount to which a member who terminates service after having 25 years of service credited in the fund and who retires at a certain age is entitled.

SECTION 7.05. REEMPLOYMENT OF RETIRED MEMBERS ELIGIBLE TO RECEIVE CERTAIN PENSIONS. Sets forth the terms by which the payment of any pension to which a retired member is entitled, if a retired member eligible to receive certain pensions is reemployed by the municipality, is prohibited from being suspended.

SECTION 7.06. MODIFICATION. Establishes that the pensions provided by SECTIONS 7.01-7.04 of this Act are subject to modification as provided by SECTION 11.01 of this Act.

ARTICLE 8. DEFERRED VESTED PENSION

SECTION 8.01. DEFERRED VESTED PENSION. Establishes the conditions under which a member is eligible for a deferred vested pension, and the method of payment of such a pension.

ARTICLE 9. DISABILITY PENSIONS

SECTION 9.01. DISABILITY PENSIONS. Sets forth the terms by which a member is eligible for a disability pension, and the method of payment of such a pension.

SECTION 9.02. REEMPLOYMENT FOLLOWING DISABILITY. Sets forth the terms by which a member's membership in the fund, if the member has received any disability pension payments and is reemployed by the municipality as a police officer not later than a certain date, is required to be reinstated as of the date the person returns to active employment.

SECTION 9.03. END OF DISABILITY BEFORE AGE 65. Sets forth the terms by which a member is required to be treated as a terminated member if a member's disability ends before the member's 65th birthday and the member is not reemployed by the municipality; and by which the member is entitled to receive a certain pension if the member meets the requirements for a certain pension on the date of termination for disability.

SECTION 9.04. INELIGIBILITY FOR DISABILITY PENSION. Establishes the conditions under which a member is ineligible for a disability pension.

SECTION 9.05. RULES CONCERNING DISABILITIES. Authorizes the board to establish rules to certify a member's disability and to verify its continued existence.

SECTION 9.06. AMOUNT OF DISABILITY PENSION. Provides that a member who meets the requirements for a disability pension is entitled to receive a specified monthly amount.

ARTICLE 10. SEVERANCE AND DEATH BENEFITS; REFUND OF CONTRIBUTIONS

SECTION 10.01. SEVERANCE BENEFITS. Sets forth the terms by which a member whose employment is terminated before the member qualifies for a benefit is entitled to receive a refund of accumulated contributions.

SECTION 10.02. REFUND OF CONTRIBUTIONS. Authorizes a member, in lieu of any other benefit to which a retired member may be entitled, to elect to receive a refund of accumulated contributions.

SECTION 10.03. DEATH OF MEMBER WHILE ACTIVELY EMPLOYED BY MUNICIPALITY. Sets forth the terms by which the board is required to order a monthly allowance if a member dies while actively employed, leaving a spouse or a dependent child under the age of 18.

SECTION 10.04. DEATH OF RETIRED MEMBER. Sets forth the eligibility of a member's spouse for a monthly pension upon the death of a retired member who was under certain pension; and the method for making those benefit payments.

SECTION 10.05. DESIGNATION OF BENEFICIARY BY BOARD. Authorizes the board to designate a beneficiary under rules adopted by the board if a member dies without having designated one or more beneficiaries.

SECTION 10.06. MODIFICATION OF SEVERANCE AND DEATH BENEFITS. Provides that this article is subject to any modifications made in accordance with SECTION 11.01 of this Act.

ARTICLE 11. MODIFICATIONS

SECTION 11.01. MODIFICATION OF BENEFITS, MEMBERSHIP QUALIFICATIONS, ELIGIBILITY REQUIREMENTS, AND CONTRIBUTIONS. Establishes the conditions under which the board, with the approval of at least four board members, is authorized to modify benefits, membership qualifications, eligibility requirements, and contributions.

ARTICLE 12. TRANSFER OF PENSION ASSETS; EMERGENCY

SECTION 12.01. TRANSFER OF PENSION ASSETS. Sets forth the terms by which a municipality, on adoption of this Act, is required to transfer the assets and membership of a predecessor police pension fund into the fund created by the municipality's adoption of this Act.

SECTION 12.02. Emergency clause.
Effective date: upon passage.