

BILL ANALYSIS

Senate Research Center

H.B. 3158
By: Flynn et al. (West)
State Affairs
5/16/2017
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Concerned parties note that mismanagement and investment losses have caused the pension systems for police officers and firefighters in certain municipalities, such as Dallas, to be insufficiently sound from an actuarial standpoint. H.B. 3158 seeks to address this issue by changing the law regarding retirement systems for and the provisions of other benefits to police and firefighters in certain municipalities.

H.B. 3158 amends current law relating to the retirement systems for and the provision of other benefits to police and fire fighters in certain municipalities and creates a criminal offense.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the board of trustees (board) in SECTION 2 (Section 2.01, Article 6243a-1, Vernon's Texas Civil Statutes (V.T.C.S.)), SECTION 5 (Section 3.01, Article 6243a-1, V.T.C.S.), SECTION 18 (Section 4.071, Article 6243a-1, V.T.C.S.), SECTION 29 (Section 6.021, Article 6243a-1, V.T.C.S.), SECTION 42 (Section 6.14, Article 6243a-1, V.T.C.S.), SECTION 45 (Section 6.20, Article 6243a-1, V.T.C.S.), SECTION 46 (Section 6A.01, Article 6243a-1, V.T.C.S.), and SECTION 48 (Section 8.02, Article 6243a-1, V.T.C.S.) of this bill.

Rulemaking authority previously granted to the board is modified in SECTION 5 (Section 3.01, Article 6243a-1, V.T.C.S.) and SECTION 46 (Section 6A.02, Article 6243a-1, V.T.C.S.) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 1.01, Article 6243a-1, Vernon's Texas Civil Statutes (V.T.C.S.).

Sec. 1.01. AMENDMENT, RESTATEMENT, AND CONSOLIDATION.

SECTION 2. Amends Section 2.01, Article 6243a-1, V.T.C.S.

Sec. 2.01. DEFINITIONS.

SECTION 3. Amends Sections 2.02(a) and (b), Article 6243a-1, V.T.C.S.

SECTION 4. Amends Part 2, Article 6243a-1, V.T.C.S, by adding Section 2.03.

Sec. 2.03. REFERENCES TO CERTAIN LAW.

SECTION 5. Amends Section 3.01, Article 6243a-1, V.T.C.S., by amending Subsections (a), (b), (d), (e), (f), (h), (i), (j), (n), and (o) and adding Subsections (b-1), (b-2), (b-3), (b-4), (d-1), (j-1), (j-2), (j-3), (j-4), (j-5), (j-6), (j-7), (j-8), (j-9), (j-10), (p), (q), (r), and (s).

SECTION 6. Amends Part 3, Article 6243a-1, V.T.C.S., by adding Sections 3.011, 3.012, and 3.013.

Sec. 3.011. NOMINATIONS COMMITTEE.

Sec. 3.012. REMOVAL OF TRUSTEES.

Sec. 3.013. TRUSTEE TRAINING.

SECTION 7. Amends Section 3.02, Article 6243a-1, V.T.C.S.

Sec. 3.02. PROFESSIONAL CONSULTANTS.

SECTION 8. Amends Part 3, Article 6243a-1, V.T.C.S., by adding Section 3.025.

Sec. 3.025. CHIEF INVESTMENT OFFICER.

SECTION 9. Amends Section 3.03, Article 6243a-1, V.T.C.S, by amending Subsections (b) and (c) and adding Subsection (b-1).

SECTION 10. Amends Section 3.04, Article 6243a-1, V.T.C.S.

Sec. 3.04. New heading: APPOINTMENT OF EXECUTIVE DIRECTOR.

SECTION 11. Amends Sections 4.01(a), (c), and (d), Article 6243a-1, V.T.C.S.

SECTION 12. Amends Sections 4.02(b), (d), and (e), Article 6243a-1, V.T.C.S.

SECTION 13. Amends Part 4, Article 6243a-1, V.T.C.S., by adding Section 4.025.

Sec. 4.025. CITY OR MEMBER CONTRIBUTIONS IF NO UNFUNDED ACTUARIAL LIABILITIES.

SECTION 14. Amends Section 4.03, Article 6243a-1, V.T.C.S, by amending Subsections (a), (b), (c), (d), and (g) and adding Subsections (a-1), (d-1), (d-2), and (i).

SECTION 15. Amend Section 4.04, Article 6243a-1, V.T.C.S., by amending Subsections (a), (c), (d), (e), (f), (g), (h), (j), and (k) and adding Subsections (f-1) and (h-1).

SECTION 16. Amends Section 4.06(c), Article 6243a-1, V.T.C.S.

SECTION 17. Amends Section 4.07, Article 6243a-1, V.T.C.S., by amending Subsections (a), (d), and (g) and adding Subsection (h).

SECTION 18. Amends Part 4, Article 6243a-1, V.T.C.S., by adding Section 4.071.

Sec. 4.071. BOARD APPROVAL OF CERTAIN ALTERNATIVE INVESTMENTS.

SECTION 19. Amends Section 4.08, Article 6243a-1, V.T.C.S., by adding Subsection (c).

SECTION 20. Amends Section 4.09, Article 6243a-1, V.T.C.S.

Sec. 4.09. REWARDS, DONATIONS, AND CONTRIBUTIONS.

SECTION 21. Amends Section 5.01, Article 6243a-1, V.T.C.S.

Sec. 5.01. MEMBERSHIP IN COMBINED PENSION PLAN.

SECTION 22. Amends Sections 5.02(a), (d), (e), (h), and (i), Article 6243a-1, V.T.C.S.

SECTION 23. Amends Section 5.03, Article 6243a-1, V.T.C.S., by amending Subsections (c) and (d) and adding Subsection (c-1).

SECTION 24. Amends Section 5.04, Article 6243a-1, V.T.C.S.

Sec. 5.04. GROUP B MEMBERSHIP MAY BE DECLARED INACTIVE.

SECTION 25. Amends Section 5.05, Article 6243a-1, V.T.C.S.

Sec. 5.05. PENSION SERVICE.

SECTION 26. Amends Sections 5.06, 5.07, 5.08, and 5.09, Article 6243a-1, V.T.C.S.

Sec. 5.06. VESTED RIGHTS OF GROUP B MEMBERS.

Sec. 5.07. PURCHASE OF PENSION SERVICE BY GROUP B MEMBERS.

Sec. 5.08. New heading: MEMBERS IN UNIFORMED SERVICES.

Sec. 5.09. New heading: NON-UNIFORMED LEAVE OF ABSENCE.

SECTION 27. Amends Section 6.01, Article 6243a-1, V.T.C.S., by amending Subsections (a), (b), (d), (e), (f), (g), and (h) and adding Subsections (a-1) and (a-2).

SECTION 28. Amends Section 6.02, Article 6243a-1, V.T.C.S.

Sec. 6.02. GROUP B. RETIREMENT PENSION.

SECTION 29. Amends Part 6, Article 6243a-1, V.T.C.S., by adding Sections 6.021 and 6.022.

Sec. 6.021. AUTHORITY TO ADOPT ALTERNATIVE MULTIPLIERS FOR COMPUTATION OF CERTAIN GROUP B BENEFITS.

Sec. 6.022. AUTHORITY TO REDUCE RETIREMENT AGE.

SECTION 30. Amends Section 6.03, Article 6243a-1, V.T.C.S., by amending Subsections (a), (d), (f), and (g) and adding Subsections (k) and (l).

SECTION 31. Amends Part 6, Article 6243a-1, V.T.C.S., by adding Section 6.035.

Sec. 6.035. DISABILITY BENEFITS FOR CERTAIN PERSONS IN UNIFORMED SERVICES.

SECTION 32. Amends Section 6.04, Article 6243a-1, V.T.C.S.

Sec. 6.04. New heading: CALCULATION OF REGULAR DISABILITY BENEFITS.

SECTION 33. Amends the heading to Section 6.05, Article 6243a-1, V.T.C.S.

Sec. 6.05. COMPENSATION BENEFITS FOR SERVICE-CONNECTED DISABILITY.

SECTION 34. Amends Section 6.05, Article 6243a-1, V.T.C.S., by amending Subsections (a), (b), and (c) and adding Subsection (b-1).

SECTION 35. Redesignates Section 6.05(d), Article 6243a-1, V.T.C.S., as Section 6.055, Article 6243a-1, V.T.C.S., and amends it.

Sec. 6.055. REDUCTION IN DISABILITY OR COMPENSATION BENEFITS FOR CERTAIN PERSONS.

SECTION 36. Amends Section 6.06, Article 6243a-1, V.T.C.S., by amending Subsections (b), (e), (f), (g), (h), (j), (k), (l), (m), (n), (o), (p), (q), (r), and (t) and adding Subsections (e-1), (e-2), (j-1), (o-1), (o-2), (u), and (v).

SECTION 37. Amends Part 6, Article 6243a-1, V.T.C.S., is amended by adding Sections 6.061, 6.062, 6.063, and 6.064.

Sec. 6.061. PROSPECTIVE REINSTATEMENT OF CERTAIN DEATH BENEFITS.

Sec. 6.062. LUMP-SUM PAYMENT ON DEATH OF CERTAIN MEMBERS.

Sec. 6.063. AUTHORITY TO ELECT CERTAIN ACTUARIALLY REDUCED BENEFITS.

Sec. 6.064. DESIGNEES.

SECTION 38. Amends Sections 6.07, 6.08, 6.09, and 6.10A, Article 6243a-1, V.T.C.S.

Sec. 6.07. GROUP A DEATH BENEFITS.

Sec. 6.08. GROUP B DEATH BENEFITS.

Sec. 6.09. QUALIFIED SURVIVING SPOUSE SPECIAL DEATH BENEFIT.

Sec. 6.10A. New heading: MINIMUM BENEFITS TO CERTAIN GROUP A PRIMARY PARTIES WHO WERE GROUP A, OLD PLAN, OR COMBINED PENSION PLAN MEMBERS and their qualified survivors.

SECTION 39. Amends the heading to Section 6.10B, Article 6243a-1, V.T.C.S.

Sec. 6.10B. MINIMUM BENEFITS TO CERTAIN GROUP A PRIMARY PARTIES WHO WERE GROUP A, PLAN A, OR COMBINED PLAN MEMBERS AND THEIR QUALIFIED SURVIVORS.

SECTION 40. Amends Sections 6.10B(a), (b), (c), (d), (e), (f), (g), and (i), Article 6243a-1, V.T.C.S.

SECTION 41. Amends Sections 6.11, 6.12, and 6.13, Article 6243a-1, V.T.C.S.

Sec. 6.11. MINIMUM BENEFITS TO GROUP B PRIMARY PARTIES AND THEIR QUALIFIED SURVIVORS.

Sec. 6.12. ADJUSTMENTS TO RETIREMENT AND DISABILITY PENSION BENEFITS.

Sec. 6.13. SUPPLEMENT TO CERTAIN RECIPIENTS 55 YEARS OF AGE OR OLDER.

SECTION 42. Amends Section 6.14, Article 6243a-1, V.T.C.S., by amending Subsections (a), (b), (c), (d), (e), (f), (g), (h), and (j) and adding Subsections (e-1), (e-2), (e-3), (e-4), (f-1), (g-1), (l), (m), (n), and (o).

SECTION 43. Amends Sections 6.15(a), (b), and (e), Article 6243a-1, V.T.C.S.

SECTION 44. Amends Sections 6.16, 6.18, and 6.19, Article 6243a-1, V.T.C.S.

Sec. 6.16. WAIVER OF BENEFITS.

Sec. 6.18. INVESTIGATION.

Sec. 6.19. New heading: CERTIFICATE OF MEMBER PENSION BENEFIT ELIGIBILITY.

SECTION 45. Amends Part 6, Article 6243a-1, V.T.C.S., by adding Section 6.20.

Sec. 6.20. ERRONEOUS PAYMENTS OR OVERPAYMENTS.

SECTION 46. Amends Article 6243a-1, V.T.C.S., by adding Part 6A.

PART 6A. EQUITABLE ADJUSTMENTS

Sec. 6A.01 EQUITABLE ADJUSTMENTS TO BENEFITS.

Sec. 6A.02. ADJUDICATION OF CERTAIN CHALLENGES.

SECTION 47. Amends Section 8.01, Article 6243a-1, V.T.C.S.

Sec. 8.01. QUALIFICATION UNDER FEDERAL TAX LAW.

SECTION 48. Amends Section 8.02, Article 6243a-1, V.T.C.S.

Sec. 8.02. EXCESS BENEFIT PLAN FOR POLICE OFFICERS AND FIRE FIGHTERS.

SECTION 49. Amends Section 8.03, Article 6243a-1, V.T.C.S.

Sec. 8.03. New heading: EXEMPTION OF BENEFITS FROM JUDICIAL PROCESS OR ALIENATION.

SECTION 50. Repealers: Section 1.01(b), Section 3.01(c), Section 4.01(b), Section 4.02(f), Sections 6.06(i) and (s), Section 6.10B(h), Sections 6.14(i) and (k), and Part 7, Article 6243a-1, V.T.C.S.

SECTION 51. (a) Defines "board," "city," "city manager," "nominations committee," "pension system," and "trustee."

(b) Provides that the terms of the current trustees expire on the effective date of this Act. Requires certain persons to appoint new trustees to the board and to develop procedures for nominating and electing the initial nominated and elected trustees.

(c) Prohibits the board from taking action authorized by Article 6243a-1, V.T.C.S., under certain conditions.

(d) Requires the board to adopt rules establishing a process for nominating and electing certain trustees.

(e) Requires the city manager and the nominations committee to jointly appoint a new trustee to the board not later than a certain date.

(f) Requires the mayor and the nominations committee to make certain determinations regarding terms of the board and initial trustees.

(g) Requires the board to elect an initial second deputy vice chairman.

(h) Requires the board to vote on and amend the existing rules relating to the governance and conduct of the board.

SECTION 52. Requires the board to establish an ethics policy and appoint an executive director. Authorizes the executive director to hire a chief investment officer.

SECTION 53. Defines "executive director," "nominations committee," and "pensioner." Requires certain persons to notify the executive director of certain information relating to participation on the nominations committee.

SECTION 54. Provides that Section 4.025, Article 6243a-1, V.T.C.S., as added by this Act, applies only to a certain contribution.

SECTION 55. Requires the board of trustees to make and submit to the State Pension Review Board for review an initial determination based on the most recently completed actuarial valuation. Requires that each subsequent annual determination be based on the most recently completed actuarial valuation.

SECTION 56. Requires the board of trustees to review all investments held on the effective date of this Act under Section 4.071, Article 6243a-1, V.T.C.S., as added by this Act.

SECTION 57. Makes application of Part 5, Article 6243a-1, V.T.C.S., as amended by this Act, prospective.

SECTION 58. Provides that a rollover distribution to a certain plan administered by the pension system is validated as of the date the distribution occurred. Prohibits a distribution described by this section from being held invalid because the distribution was not performed in accordance with Section 8.01(j), Article 6243a-1, V.T.C.S., as added by this Act.

SECTION 59. Severability clause.

SECTION 60. Effective date: September 1, 2017.